



## **COUNCIL**

**29 NOVEMBER 2017**

### **SUPPLEMENTARY PAPERS**

**TO: ALL MEMBERS OF THE COUNCIL**

The following report was not available for publication with the rest of the agenda which was published prior to the meeting of the Executive referred to.

Timothy Wheadon  
Chief Executive

	<b>Page No</b>
<b>6. EXECUTIVE REPORT</b>	<b>3 - 14</b>
To receive the Leader's report on the work of the Executive since the Council meeting held on 13 September 2017.	
Council is asked to resolve a recommendation in respect of:	
<ul style="list-style-type: none"><li>• <b>Provision of capital funding as Bracknell Forest's contribution to the Heathlands EMI scheme</b></li><li>• <b>Approval of the Youth Justice Strategic Plan 2017-19</b></li></ul>	
The Executive will be meeting on 21 November 2017, if any matters arise at that meeting which require a decision by Council, a supplementary report will be circulated.	

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To: COUNCIL  
29 NOVEMBER 2017

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## EXECUTIVE REPORT TO COUNCIL The Leader

### 1 PURPOSE OF REPORT

- 1.1 Since the Council meeting on 13 September 2017, the Executive has met three times, on 26 September 2017, 17 October 2017 and 21 November 2017. This report summarises decisions taken at the third meeting by reference to the relevant portfolio within which they fall.
- 1.2 Updated Forward Plans are published every Friday and can be viewed online at [www.bracknell-forest.gov.uk](http://www.bracknell-forest.gov.uk). Full details on the decisions taken by individual portfolio holders can also be accessed online through the Council's website.

### 2 RECOMMENDATION

- 2.1 Council is asked to consider the recommendation set out at paragraph 5.1.1.

### 3 REASONS FOR RECOMMENDATION

- 3.1 The reasons for recommendation are set out in the supporting information and in the reports considered by the Executive.

### 4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Alternative options are discussed in the relevant individual reports considered by the Executive

### 5 SUPPORTING INFORMATION

#### Transformation and Finance

#### 5.1 Commercial Property Investment Strategy

- 5.1.1 **RECOMMENDED that further capital sums of up to £30m are made available to support the Commercial Property Investment Strategy achieving its target level of £3m on-going additional revenue income as detailed in Appendix E.**

- 5.1.2 The Council-wide Transformation Programme was established to review all services over time and secure savings that will play a large part in enabling the Council to set a balanced budget for the coming years. Commercial property acquisitions have been targeted to deliver on-going additional income of £1m per year, rising to £3m by 2019/20. To support this objective, the Council adopted a Commercial property Investment Strategy in November 2016.

- 5.1.3 Full Council agreed funding to support the acquisition programme initially of £20m per year from 2016/17 to 2018/19. Subsequent approval was granted to make the full sum of £60m available from July 2017.

- 5.1.4 In order to assist the Executive Committee (Commercial Property) in considering investment opportunities, a matrix “tool” was created. This illustrated the core elements considered by the Committee for each opportunity, showing which parameters are acceptable for consideration and those which are not. All investments are subject to a full external due diligence process. This includes building condition surveys including all mechanical and engineering elements, independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported. This rigorous due diligence process has led to one accepted bid subsequently being withdrawn.
- 5.1.5 Under the Council’s strategy two investments totalling £30.3m including costs have been acquired. Offers by the Council were also accepted for two further properties, with a combined value of £28.3m. It is expected that both will complete in November 2017. Should this happen, total investments will be £58.6m, close to the overall funding available. At their initial rental values, which will increase over time to reflect pre-set increases, the four properties will produce an annual rent of £3.6m and a net return after borrowing costs of £2.1m.
- 5.1.6 Since the “low risk” strategy was agreed, the Executive Committee has considered seventeen properties. No bid was made on eight of these and fixed bids were made on nine. Of these nine, five have been successful; although as outlined above, the Council subsequently withdrew from one of these as the exit strategy, if the current lease was not renewed, was not satisfactory.

## **5.2 Establishment of a People Directorate**

- 5.2.1 The Executive noted and endorsed the proposals for creating an integrated “People Directorate”.
- 5.2.2 The Council’s transformation programme contributed £6.5m of savings or additional income towards the budget gap. In the longer term, however, the transformation programme will begin to see structural change as the Council moves to a more streamlined, leaner management structure with increasing integration of functions and activities around themes such as “early help” and “commissioning”. The timing of these changes needs to be very carefully judged to ensure that the organisation retains sufficient capacity to undertake the transformation that is needed.
- 5.2.3 The two largest projects currently underway as part of the corporate transformation programme relate to adult social care and services for children and young people. Work on both projects is complex, involving whole system change of services which are currently functioning well, but which are economically not sustainable within the current local government financial framework. Both projects are pointing to synergies between services and an overlapping of client groups. As a result of the work undertaken so far the time is right to begin a process of creating a single “People” Directorate in a phased and measured way. This should reduce duplication in some areas and achieve improvements in outcomes for residents and improve overall efficiency.
- 5.2.4 The move to a People Directorate will be delivered in four stages with the aim of ensuring the right people are in place with the right leadership skills to support transformation, whilst minimising disruption to operational services. A separate report on tonight’s agenda outlines the stages and recommends the establishment of an Appointment Committee to make the necessary Chief Officer appointments to the new structure.

Throughout the first two phases of the transition process both Directors will remain in place with two of the Chief Officers posts dealing with cross cutting services reporting to both.

## **Council Strategy & Community Cohesion**

### **5.3 Local Government and Social Care Ombudsman Annual Review Letter 2017**

- 5.3.1 The Executive received and noted the Local Government and Social Care Ombudsman Annual Review letter 2017.
- 5.3.2 23 complaints were received by the LGO against the Council in 2016/17, 26 were received in 2015/16 and 18 in 2014/15. The LGO made formal decisions on 24 complaints against the Council (some of which related to complaints from 2015/16). Four complaints were subject to a detailed investigation and three were upheld against the Council. The upheld figure was lower than any other Council in Berkshire, and half of the national average for all councils. In each case, the extent of maladministration and the impact of any errors made by the Council were minimal and no corrective action was suggested by the LGO in any case.

## **Children, Young People & Learning**

### **5.4 Special Educational Needs and Disability Improvement Strategy**

- 5.4.1 The Executive received and approved the draft Special Educational Needs and Improvement Strategy which has been written in partnership with schools, colleges, early year's settings, parents/carers, young people and other stakeholders to raise the achievement of children and young people with Special Education Needs (SEN) and Disabilities.
- 5.4.2 The Council has a number of statutory duties in relation to Special Education Needs and Disabilities and works to statutory guidance in a detailed Code of Practice, published following the Children and Families Act 2014. "Thrive in Learning" sets out the three year strategic direction and priorities for Special Educational Needs and Disability (SEND) for children and young people aged 0-25 years. It sits as a section of the Learning Improvement Strategy.
- 5.4.3 The plan was coproduced with everyone who has an interest in Special Educational Needs and Disability in Bracknell Forest. The Council was the lead authority in the partnership which coproduced the plan, but recognises that its success will lie in the effectiveness of the partnership between all stakeholders.
- 5.4.4 The Strategy included five agreed priorities:
  - 1. We will work to ensure that Emotional Wellbeing and Child and Mental Health Services (CAMHS) are available to all eligible children and young people.
  - 2. We will support Early Years settings, schools and others to improve the inclusion and educational outcomes for children and young people with SEN and Disabilities.
  - 3. We will improve post 16 destinations for young people with SEND and reduce the NEET (Not in Education, Employment or Training) population.

4. We will ensure that SEN and disability systems and decision-making (including specialist place planning) are robust and funding is used effectively to deliver positive outcomes.
5. We will develop a joint “Outcomes Based Commissioning” approach to commissioning across the children and young people’s partnership.

## **Culture, Corporate Services and Public Protection**

### **5.5 Contract Award for the Management of Bracknell Leisure Centre, Coral Reef and Downshire Golf Complex**

- 5.5.1 The Executive awarded the contract for the management of Bracknell Leisure Centre, Coral Reef and Downshire Golf Complex to supplier C which would begin on the 1 March 2018.
- 5.5.2 The review of Leisure was one of a number of the Transformation projects which the Council is undertaking. A procurement plan was approved by the Executive on the 14 February 2017 which detailed the procurement strategy and split the sites into two lots:
  - Lot 1 – Bracknell Leisure Centre and Coral Reef
  - Lot 2 – Downshire Gold Complex only
- 5.5.3 The split of Downshire Golf Complex as a separate lot was due to the view that specialist golf operators are known to exist and this approach might have offered the Council better value for money or quality.
- 5.5.4 Following the approval of the procurement plan by the Executive, Officers commenced a two part procurement exercise for the management of the three leisure sites. This began with an open invitation to the market for expressions of interest in managing the leisure sites. A large number of organisations expressed an interest and each of these was sent a selection questionnaire (SQ) to complete. The SQ set out minimum quality requirements required by the Council along with statutory financial and compliance thresholds.
- 5.5.5 An evaluation panel met in April 2017 and suppliers that had met the high standards set by the Council were invited to complete a full set of tender documents.
- 5.5.6 A bidders day was held in May 2017 where the shortlisted companies were invited to have a tour round the three facilities as well as having an opportunity to meet with the Executive Member for Culture, Corporate Services & Public Protection, Director of Environment, Culture and Communities and the project team.
- 5.5.7 The tender assessment process followed the structure identified within the agreed procurement plan. As such there was a 60% weighting towards cost and 40% towards quality for both Lots 1 and 2. Tenderers had to detail how they would provide elements of the service matched with relevant evidence and also provided detailed method statements. Consequently, the recommendations provide the best combination of quality and cost from all tenders submitted.
- 5.5.8 The closing date for tender submission was the 17 July 2017 and a number of completed tenders were submitted which were evaluated. This was followed by each

supplier being interviewed by the Officer panel and the Executive Member for Culture, Corporate Services & Public Protection and following further clarifications a winning bidder was selected by the Executive.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The Borough Solicitor's comments have been addressed in the reports to the Executive.

### Borough Treasurer

- 6.2 The Borough Treasurer's comments have been addressed in the reports to the Executive.

### Equalities Impact Assessment

- 6.3 Equalities issues, where appropriate, have been addressed in the reports to the Executive.

### Strategic Risk Management Issues

- 6.4 Any strategic risks have been identified in the reports to the Executive.

### Background Papers

Executive Agenda – 21 November 2017

### Contact for further information

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TO: EXECUTIVE  
21 NOVEMBER 2017

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**COMMERCIAL PROPERTY INVESTMENT STRATEGY**  
**Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 Commercial property acquisitions, in line with the investment strategy which was approved by Council in November 2016, have been targeted to deliver on-going additional income of £1m per year, rising to £3m by 2019/20.
- 1.2 This report sets out progress to date in implementing the Commercial Property Investment Strategy (CPIS) and proposes that additional capital resources of up to £30m are made available for further acquisitions, in order to secure this level of additional income.

**2 RECOMMENDATION**

- 2.1 That the Executive recommends to Council that further capital sums of up to £30m are made available to support the Commercial Property Investment Strategy achieving its target level of £3m on-going additional revenue income.

**3 REASONS FOR RECOMMENDATION**

- 3.1 A Council-wide Transformation Programme has been established to review all services over time and secure savings that will play a large part in enabling the Council to set a balanced budget for the coming years. Commercial property acquisitions have been targeted to deliver on-going additional income of £1m per year, rising to £3m by 2019/20.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The Executive could decide that the level of investment already approved, at £60m, should represent the ceiling for commercial property acquisitions. The consequence of this would be the need for alternative savings to be identified in order to achieve a balanced medium-term financial position.

**5 SUPPORTING INFORMATION**

- 5.1 The Council was presented with an opportunity to acquire a commercial investment on the Western Industrial Estate in Bracknell in 2016, being the office park known as Waterside Park. This acquisition was agreed by the Executive as an opportunistic purchase within the Borough of a site adjacent to existing Council holdings.
- 5.2 The property was purchased for around £4.5M with a headline income of just under £400K per annum, a return excluding costs of around 9%. Since that time two tenants have determined that they will not renew their leases and this is being addressed by the Property team. Indeed, generally the higher the rate of return the more risk associated with the property in terms of tenant covenant, quality of building, rental growth and duration of income stream. In buying Waterside Park the Council was acutely aware of this but the Bracknell location meant that the site offered potential “swing space” to facilitate other options linked to the further regeneration of

the town centre or possible location for activities currently within the Commercial Centre allowing that to be developed.

- 5.3 Having acquired this property the Executive and Directors were keen to establish a formal process and policy to support future acquisitions, which led to the Council adopting a Commercial property Investment Strategy in November 2016.
- 5.4 A Council-wide Transformation Programme has been established to review all services over time and secure savings and additional income that will play a large part in enabling the Council to set a balanced budget for the coming years. Commercial property acquisitions have been targeted to deliver on-going additional income of £1m per year, rising to £3m by 2019/20. As such, this represents the second largest programme by value to date.
- 5.5 Full Council agreed funding to support the acquisition programme initially of £20m per year from 2016/17 to 2018/19. Subsequently, approval was granted to make the full sum of £60m available from July 2017.
- 5.6 Central to the investment strategy is understanding the key elements over each potential deal and establishing minimum parameters below which investment would not be considered. The core principles is to invest in properties where the majority (preferably all) of the income is secure without break for a minimum of 10 years certain, to the best possible tenants and preferably in freehold properties in prime locations and good quality buildings.
- 5.7 The policy is not geographic, type or use restricted to ensure full access to investment opportunities. Mainland England and Wales opportunities are only to be considered as the property law in Scotland is different.
- 5.8 In order to assist the Executive Committee (Commercial property) in considering investment opportunities a matrix “tool” has been created. This illustrates the core elements considered by the committee for each opportunity, showing which parameters are acceptable for consideration and those which are not.
- 5.9 All investments are subject to a full external due diligence process. This includes building condition surveys including all M&E, independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported. This has led to one accepted bid being withdrawn following this rigorous due diligence process.
- 5.10 Under the Council’s strategy two investments totalling £30.3m including costs have been acquired. Offers by the Council have also been accepted for two further properties, with a combined value of £28.3m. It is expected that both will complete in November 2017. Should this happen, total investments will be £58.6m, close to the overall funding available. At their initial rental values, which will increase over time to reflect pre-set increases, the four properties will produce an annual rent of £3.6m and a net return after borrowing costs of £2.1m. Further details are provided in Exempt Annexe A.
- 5.11 The four properties will provide an average net yield of 3.63%, rising in five years time to 4.35%. This is below the assumed level of 5% which was used to calculate the target for the Transformation Programme. While it would have been possible to achieve the initial target rate of return, this would have involved taking more risk and more active management of the properties, which is against the purpose and nature of the approved strategy. Indeed since the “low risk” strategy was agreed the

## (Appendix E – to the Executive Report)

Executive Committee has considered seventeen properties. No bid was made on eight of these and fixed bids were made on nine. Of these nine, five have been successful; although the Council subsequently withdrew from one of these as the exit strategy, if the current lease was not renewed, was unsatisfactory.

- 5.12 It should be noted that there has been heightened public interest in the activities of local authorities buying commercial properties. There have been a number of national press articles in papers such as The Times, The Telegraph and Guardian as well as radio debates and considerable trade press coverage in the leading property journals.
- 5.13 The focus of the media interest has been around some of the larger investors in the market. These have been principally the following:-
- Surrey County Council acquisition of Worcester Retail Park £74m
  - Woking Borough Council acquisition of Dukes Court approximately £70m
  - Surrey Heath, The Mall Shopping Centre Camberley £80m
  - Spelthorne Borough Council £377.5m on BP's office park in Sunbury-on-Thames
- 5.14 Apart from the obvious size of these transactions leading questions have been around Councils' ability to manage such assets as well as exit strategies to repay any borrowings. It is expected that steps will be taken by Government at some point in the relatively near future to restrict or place strict rules around property acquisitions by local authorities.
- 5.15 In this respect, it is felt that this Council's strategy already represents a carefully considered, prudent approach to acquisitions. Within the matrix tool specific consideration is given to the strength of the tenant and the tenancy. Ongoing management of the properties is generally in-house, using staff who have managed commercial properties in the Borough for many years. The exit strategies consider a blend of issues being the existing tenants remaining in occupation, the age and condition of the property at the end of the tenancy in the scenario of the tenant not renewing their lease as well as a market consideration of re-letting the property. If the property is prime location it is generally considered it will re-let in a timely way.
- 5.16 It is therefore possible that more restrictive regulations or changing market conditions could mean that no further acquisitions are able to be effected. However, based on experience to date, it is recommended that the Council should endeavour to procure further suitable properties in order to provide much needed additional funding to support front line services.
- 5.17 Assuming that the same average rate of return can be achieved through further acquisitions, it would require a total investment of £83m to achieve the target level of additional income. However, it is impossible to predict the nature and scale of investment opportunities that may arise. For this reason, it is recommended that an additional sum of up to £30m be made available for further purchases to provide a degree of flexibility and avoid the possibility of having to walk away from a good quality investment that could take the overall level slightly above £83m.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

Borough Solicitor

- 6.1 The Council has an express statutory power to undertake investment activity pursuant to Section 12 of the Local Government Act 2003 where such investment is for the purposes of the prudent management of its financial affairs. The financial imperative for pursuing further acquisitions has been set out elsewhere in this report.

Borough Treasurer

- 6.2 The financial implications are set out in the main body of the report. While the proposed additional expenditure to be funded by debt is a significant sum for Bracknell Forest, the average level of debt for unitary authorities is forecast to be £290m by 31 March 2018. Additionally, very little of this borrowing is supported by a revenue income stream, which would be the case for the proposal in this report.

Equalities Impact Assessment

- 6.3 There are no implications from this paper.

Strategic Risk Management Issues

- 6.4 Generating additional income as an alternative to reducing expenditure on front line services is a key part of the Council's financial strategy. The risks of CPIS were considered as part of the strategy's development and should be viewed in that context.
- 6.5 While it is impossible to remove all the risks associated with commercial investments, the matrix approach ensures that risk is minimised as far as possible by establishing key criteria that need to be fulfilled before any bid is submitted. A detailed due diligence process is also undertaken that includes the use of external specialists to assess the premises and highlight any possible areas of concern. As a result of this process the Council withdrew its accepted offer for one purchase when a number of issues were highlighted.

**7 CONSULTATION**

- 7.1 A presentation was made to the Overview and Scrutiny Commission on the Commercial Property Investment Strategy at its meeting on 21 September. Members of the Commission were supportive of the strategy, although there was some nervousness around increasing the level of investment, including in relation to officer capacity to effectively manage additional properties.

Background Papers

Exempt Annexe A – Details of acquisitions made and in progress

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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