

# ELMBRIDGE BOROUGH COUNCIL ASSET MANAGEMENT PLAN 2019-2024

**DATE SEPTEMBER 2019**



Weybridge Estate – Purchased December 2018

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## **1. EXECUTIVE SUMMARY**

Welcome to the Elmbridge Borough Council Asset Management Plan (AMP) 2019 -2024. This document details the Council's plans in relation to their corporate property portfolio of operational and non-operational holdings for the next five years.

The document outlines how the AMP fits into the Council's framework of policies, what the Council has achieved in the past three years and going forward its plans and strategies for both the operational and non-operational property portfolio, that currently includes seven Centres for the Community, three sporting leisure facilities, the council's Civic Centre, five brick built public toilets and three automated public conveniences, 5 Public Halls, twenty-eight car parks, numerous sporting pavilions and associated facilities, 13 allotments plus some miscellaneous small land holdings retained for strategic or community reasons.

The land and property holdings have a total 'net book value' of approximately £194.5 million. This is comprised of investment assets worth £92 million and operational assets with a value of £102.5 million. The latter figure includes Community Assets, such as Commons, Cemeteries, Open Spaces, Allotments and Recreation Grounds (£407,817) Infrastructure Assets (£449,512) and Surplus Assets (£3,807,603). All the valuation figures are correct to the Financial Year End March 2019.

Elmbridge Borough Council's property assets are split into two elements, the operational estate which enables us to deliver services and activities administered by the Council on behalf of our residents and the investment assets which we refer to as non-operational assets which are the strategic assets held by the Council on behalf of the public for either long term investment and revenue income, regeneration/strategic economic benefit, or both.

The AMP is not an asset register of all the property interests held by the Council. It is a strategic document that sets out the Council's approach to the way in which the Council manages its land and property asset base and highlights the reasons why the Council is an effective custodian of publicly owned property. As such this stewardship seeks to protect the value of the assets for both long and short-financial terms but also, importantly, in relation to public function and the optimisation of use ensuring that the property meets all the health and safety aspects associated with property ownership and works. It is important to note that where appropriate the strategy will ensure that we work within the relevant legal framework to ensure that our tenants/stakeholder etc meet the legal obligations. In addition to the above the Council will continue to put matters of environmental sustainability and performance within the day to day management of the estate and consideration of these key aspects will be addressed when considering any property/land investment decision.

The strategy also identifies the circumstances in which the Council will acquire or dispose of assets, either for operational or investment/regeneration purposes. For example certain circumstances it may be necessary to use our Compulsory Purchase powers to assemble sites where there is a wider and longer-term public benefit, where possible anticipating future needs.

The Council as part of the asset management plan will actively review the purpose and value of the entire property estate in a dynamic way so that those assets that are no longer required. They will then either be formally declared surplus and are offered for disposal or alternative use sought which meets the needs and demands of the council's priorities to deliver the requirements of our residents and, at the same time, ensure we dovetail with the council's short, medium and long-term financial strategy.

The asset base consists of a variety of tenants which range from residential to commercial occupiers along with voluntary, sporting, leisure, charity, faith and other key service providers. The management of these interests will be carried out by specialist property experts and considered on a case by case basis mindful of the need to meet responsibilities to pay a market rent, any associated service charges and to maintain, repair, insure and replace the assets. At the same time, the management approach will be sensitive to the ability of some users to manage and pay for the various responsibilities.

The day to day running of the Elmbridge Borough Council's public estate seeks to ensure it is fit for purpose and is maintained to a satisfactory standard. It will also address aspects such as unauthorised occupation, trespass and encroachment. This will safeguard the asset whilst optimising public use and exhibit the reasonable environmental standards and consider the consequences of environmental performance. Investment will be targeted at making any necessary improvements as part of any businesses case and if resources allow but also take account of the legal obligations of the Council.

## **2. INTRODUCTION**

### **2.1 Purpose of the Asset Management Plan (AMP)**

The purpose of the Asset Management Plan 2019/2024 is to provide a framework for the strategic management of the Council's assets as a Corporate Resource. Its aim is to set out the Council's vision, aspirations and objectives for its portfolio, and outlines an Action Plan for how it aims to achieve these outcomes.

This document will form part of the Council's Policy Framework, which provides Member and Officer guidance on the management of the Council's land and property portfolio. It aims to optimise the contribution that property makes to the Council's provision of quality services and to support the Council's objectives through effective asset management and ensure all assets comply with statutory obligations in respect of health and safety issues.

It is aimed at providing transparency as well as establishing priorities and clarity of purpose. It will enable the Asset Management and Property Services team to review resources and measure success.

The Plan supports the Council's principal aims and objectives as set out in the Corporate Plan including the Council's short medium and long-term financial strategy which should be read in conjunction with the AMP for the period 2019-2029

The AMP will also help to protect the Council's position as a landowner.

### **2.2 What is included in the Asset Management Plan**

- Physical assets and interests in land.
- Their use, potential, value and assessment
- Policies and procedures to support the management of assets
- Asset specific reviews of key asset performance and future development
- Data Management

### **2.3 Why Elmbridge holds assets**

- Service delivery for our residents.
- Community Buildings that support the needs of our residents' voluntary organisations and communities for variety of locally provided activities.
- Income generation.

- Strategic Land Holdings.
- Surplus pending disposal in accordance with our asset disposal in accordance with our Disposal and Acquisition Strategy.

## **2.4 Influences on the Asset Management Plan**

Elmbridge is an area of high property and land values, which has an influence on the AMP. Due to the high property and land values it makes affordability very challenging, but it does provide opportunity for investing where there can be some excellent returns and capital growth.

There are number of other influences which effect the strategy within the Borough including Community Groups which take on various guises namely, voluntary sector, sporting sector, and local communities where engaged Trustees are running pavilions and community buildings for and on behalf of the Council. All these groups have expectations and requirements to enable them to deliver the wishes and needs of their members and the community.

Elmbridge also has a requirement to set the framework within which much needed affordable and market housing for the Borough can be delivered. Where appropriate the Council will work jointly with developers or with other public partners such as Clinical Commissioning Groups, NHS Property Services, Surrey County Council etc. to achieve this along with other much needed infrastructure e.g. Doctors surgeries, hospitals, schools, nurseries, and car parking to meet relevant demand and in some instances, complete regeneration.

There are also service needs in terms of community requirements and the Asset Management and Property Services (AMPS) team will work closely with other teams within EBC including Leisure, Car Parking, Environmental, Community Support Services and Housing to meet those needs.

Besides community requirements there are the statutory planning aspects to consider along with financial pressures which will affect any development or regeneration and these need to be taken into consideration and will be dealt with in accordance with the regulated statutory obligations to achieve the optimum outcome.

## **2.5 The Aims of the Asset Management Plan**

The primary aims of the Asset Management Plan are to;

- Ensure that assets are managed to meet all statutory requirements, are fit for the purpose for their current use and this should be forward looking in respect of how best to deliver the relevant service to suit the needs of the local residents and wider community the assets should be in a reasonable condition to enable continued services;
- Manage assets in the most cost-effective way, where possible reducing costs and in line with the financial strategy;
- Protect and optimise the value of the Council's assets whether operational or non-operational;
- Provide a co-ordinated approach to asset management across the authority reflecting service needs;
- Identify where possible improved methods of managing assets;

- Provide flexible spaces that can be economically adapted to adjust to service needs, including sharing with partner agencies and encourage partnership working with other agencies;
- Identify all opportunities to contribute to the provision of affordable housing in the borough;
- Ensures assets are retained by Elmbridge Borough Council (EBC) that assist in service delivery, generate a suitable level of income and/or have the potential in future to deliver significant increased income or capital receipt;
- EBC will manage the assets to give due consideration to increased revenue income or reducing revenue costs on both the operational and investment estate;
- Assets will be maintained in accordance with current statutory legislation and reflect the condition surveys in place which are reviewed every 5 years;
- EBC will continue to challenge asset utilisation, retention, locality and sustainability;
- Identify and develop opportunities for joint working with partners;
- Continue to review the team's performance indicators, managing agents, and, where necessary and appropriate, create new indicators which will assist in the management of EBC's assets; on a day to day basis it is 'business as usual'; and
- Where appropriate all opportunities for assets to be used for affordable housing provision in the borough will be actively pursued.

## 2.6 Managing the Asset Base

The Council's key targets in relation to property and the above objectives are:

- To ensure all tenants are complying with the terms of their occupational agreements;
- To continue to manage in accordance with good estate management practices;
- If possible and in accordance with market factors to increase revenue income from the investment portfolio through new purchases, rent reviews and lease renewals;
- Ensure that the Civic Centre accommodation is managed effectively and used to reflect the ongoing needs to the council and its partnering organisations;
- To acquire further investment property in the Borough to increase revenue income in accordance with the Property Investment Strategy outlined in this Plan See **Appendix A**;

Property and land forms part of the Council's resource and supports the delivery of all the Council's objectives by:

- Providing accommodation for the delivery of a wide range of services;

- Meeting the needs of the local community through the provision of facilities whether it is for recreation and social interaction, including parks, open spaces, indoor leisure, centres for the community, etc; car parking facilities, a waste depot to ensure we deliver our statutory waste obligations. All of these uses' and others assist the local economy by sustaining the vitality of town centres and villages; and appropriate strategies for example the retail strategy which are being considered by both members and officers that will work with businesses and communities to deliver the best outcomes for EBC.
- Providing a financial return through a non-operational investment portfolio and disposal of surplus assets, where appropriate.
- Facilitating strategic economic development through partnerships,
- To work in partnership with local community organisations to ensure the provision of local outlets for services. An example of this is the refurbishment of the former Walton Library to provide a community hub for the likes of Citizens Advice and The Counselling Partnership,

### **3. CORPORATE PROPERTY ASSET MANAGEMENT PROTOCOLS**

#### **3.1 Purpose of Asset Management Protocols**

- 3.1.1 The Asset Management Protocols will provide a consistent framework of values to determine and shape how the Council implements the Asset Management Plan 2019/2024.
- 3.1.2 These Asset Management Protocols will define detailed areas of asset management activity, which will provide an insight into the corporate approach adopted in the management of the council property portfolio.
- 3.1.3 All situations, requests and incidents will vary in nature and circumstance and the protocols can only serve as a general guide. Each case will depend on its facts and officers will need to exercise their discretion in applying the relevant protocol as guidance to each case.

#### **3.2 Links to Corporate Priorities**

The Asset Management Protocols in respect of our investment portfolio will consist of generic objectives and practices that are aligned to a private sector “institutional” or corporate owner and occupier of property assets.

With regard to the operational estate, the protocols will reflect the historic legacy, local circumstances, the community and social role of the Council and the corporate priorities of the Council.

The Asset Management Protocols/guidelines also reflect wider trends and central government policy. One Public Estate is key whereby assets work more efficiently by cost saving and increased revenue over a wider portfolio. These will evolve and be reflected in refinements to the Asset Management Protocols over time. The key external influences that have been reflected in this policy area:

- Promotion of access to public services
- Value for Money
- Good governance principles

- The Capital and Investment Strategy – Prudential Accounting
- The E Government agenda
- The efficiency savings requirements
- Support of partnering, collaboration, third sector and multi-agency approaches across various services
- Promotion of overall socio-economic well-being
- Regeneration, renaissance and growth
- Welfare change
- Funding pressures

### **3.3 The Council's Role as a Property Owner**

- 3.3.1 Beyond its scale and cost, the Council's property portfolio is significant also in the impact it makes on the Boroughs economy and environment. The quality and condition of Council properties makes an important impact on the environment.
- 3.3.2 Under-used or vacant property represents an actual as well as opportunity cost to the Council. Also, by under-exploiting a scarce land asset, under-used or vacant property often prevents another more beneficial use or form of development from taking place.
- 3.3.3 The Council recognises the importance of indirect as well as direct costs of holding under-used property assets and is committed to a continuous process of property review to monitor and promote opportunities for identifying and releasing surplus property.
- 3.3.4 The requirement for property as a resource does not necessitate its ownership and the Council should similarly consider alternative tenure options within the context of its corporate financing strategy.

### **3.4 Acquisition, Investment and Capital Spend**

#### **3.4.1 Operational and Service Requirement**

Land and property interests will only be considered for acquisition if, after consultation, the following circumstances apply:

- The acquisition will make a positive contribution to the current delivery of Council services and meets our visions and priorities.
- All other methods for the delivery of this service will be investigated and a full Property Options Appraisal will be undertaken which highlights this acquisition route as the most economically advantageous and efficient method of service delivery.

In addition to the above, the following circumstances may apply:

- The acquisition of the interest has potential for future strategic regeneration and/or redevelopment purposes in pursuit of the Council Strategic aims and priorities.
- No other available land and property asset can provide a more cost effective and/or efficient point of service delivery.
- There is an adopted Council Plan/policy/strategy, with resources identified, which will bring the land or property into beneficial use in the foreseeable future.

- There is potential for advantageous shared use.

The investment in land and buildings is used as a part of a wider treasury management function for the allocation of capital to provide an investment/revenue return to support front line services. Any investment decision would meet target hurdle rates of return appraised using discounted cash flow/internal rates of return methodology. Further information is available in **Appendix A**.

### 3.4.2 **Compulsory Purchase**

The Council has powers to acquire land and property by the use of Compulsory Purchase Orders (CPO) in order to carry out a function which parliament has decided is in the public interest. Commonly the powers are used to support development of land or to resolve issues with empty property with a view to bringing them back into use. Because of their nature in depriving people of their assets albeit with compensation the Council will not proceed without having considered all other alternatives and obtaining executive board approval in all cases before issuing orders.

Properties acquired under such a process will normally be intended for re-sale either before or after value added activity to achieve the specific goals of the Council unless a viable and credible business case exists otherwise and appropriate funding is available. The Council will establish and maintain a rolling budget to undertake such activity.

### 3.4.3 **Investment/Capital Spending**

The Capital Strategy was approved by Council in February 2019. This Capital Strategy demonstrates that the authority takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy also sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. Decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget for the local authority and the Capital Strategy shall be reviewed each year as part of the budget setting process.

The approved capital programme provides for the 2019/20 spending plans with commitments and priority schemes for the following 2 years.

Although the majority of capital assets are held for the essential delivery of services the Investment Guidance recognises that local authorities may also legitimately hold non-financial investments for regeneration and to provide rental income to the revenue account. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. At 31 March 2019, EBC held £92 million of investment properties that fall into this category.

Since 2012, the Council has been making prudent, in Borough property purchases. As the Council's property portfolio grows, there is a need to create a balanced portfolio to manage the risks associated with property investments.

A major element of the Council's income generation drive is its Property Acquisition Strategy, which raises significant income from the rent collected from a portfolio of commercial properties. The investment made so far is not just about income generation but also about regeneration, business growth and the ability to provide much needed affordable housing in the Borough.

## **Housing as a priority**

In 2018, the Council approved the establishment of two wholly owned Housing Companies, EBC Investments Ltd and EBC Homes Ltd, to play a significant role in delivering new homes across EBC with a focus on:

- Housing at affordable rents
- Temporary accommodation for homeless households
- Key worker accommodation
- Market rent
- Market sale

The Business Plan set an ambitious target of over 250 new homes to be delivered over the life of the 5-year plan.

The Council as part of the asset management plan will review the purpose and use of any land and property and identify any that are surplus to requirements. Any sites declared as surplus could be considered for Housing, either by the Council or the Housing Company. Any land or property transferred across from the Council to the Company must be valued independently for both regulatory and State aid purposes.

Where the Council is considering capital spend or investment the following criteria shall apply:

Direct investment into new property acquisition for investment return which display the following characteristics:

- Low risk of tenant default and therefore robust income profile
- Adequate liquidity of investment
- Strategic opportunity which complements an existing Council holding
- Would protect the income from and value of an existing Council property holding
- Enhances or contributes to long term revenue of the Council
- The prospect of materially enhanced returns – above a Return on Investment (ROI) of 4% through active asset management

Direct investment into existing stock held by the Council where a credible business case exists to add value through:-

- Incremental Town Planning validation and or
- Refurbishment and or
- Redevelopment

Direct investment into land or property for development or refurbishment:

- Where a credible business case exists to add value and/ or,
- Appropriate for delivery of other corporate objectives; or
- Appropriate to achieve long term strategic planning

## **3.5 Disposals**

3.5.1 Land and property will be considered to be surplus or under-used if, following consultation, any of the following statements apply.

That the interest:

- Is underused or not fully utilised to the current delivery of Council services.
- Has no potential for future strategic regeneration and/or redevelopment purposes in pursuit of the Corporate Plan aims and objectives.
- An alternative site (either in the Council's ownership or through the voluntary sector) can provide a more cost effective and/or efficient point of service delivery.

The income from the site is below that which could be achieved from:

- An alternative/more intensive use.
- Investment of the capital receipt (i.e. uneconomically let).
- Has no potential to re-gear, or otherwise manage the lease in a more economically and advantageous way.
- There is no adopted Council Plan/policy/strategy, with resources identified, which will bring the site into beneficial use in the foreseeable future.
- There is no potential for advantageous shared use.

3.5.2 Disposals will be managed by AMPS as part of a programme to deliver capital receipts targets. These targets will be driven by the Council's wider needs and the potential to release surplus capital inherent in the portfolio. This may lead to the Council's targets being exceeded.

3.5.3 The Council will, as a matter of general policy, seek to achieve best consideration in all property disposals other than where specific cases can be sustained for sales at less than best consideration. Transfers for community use will normally include the imposition of "community lock out clauses" to ensure the enduring use is for the wider community.

### **3.6 Development/Regeneration**

3.6.1 In certain cases the Council will hold property interests in anticipation of some wider benefit to be secured through re-development, sometimes for long periods.

3.6.2 These property interests will be maintained in a secure and safe condition. Where possible, holding costs will be defrayed by securing temporary rental or licence fees.

3.6.3 The continued holding of these properties usually has an opportunity cost and this is not generally justified where the redevelopment potential is small or remote. Continued justification will need to be substantiated on the basis of specific development proposals and estimated timescales, holding cost and return assumptions

3.6.4 It will be appropriate for a Planning brief to be prepared for any land capable of redevelopment to identify the most advantageous use and nature of the redevelopment and should have the objective of stimulating further regeneration in the locality or stated in the local plan which will be adopted by Council in 2020.

- 3.6.5 An evaluation should be carried out in each case, as appropriate, to identify whether additional land should be acquired to enhance the impact and viability of any redevelopment.
- 3.6.6 Where the land forms or could form part of a larger redevelopment scheme in private ownership the property can be offered to the owner by private treaty at an appropriate price reflecting beneficial value and subject to positive planning covenants producing additional benefits for the Council. It may be appropriate in certain circumstances for various forms of joint ventures or joint promotion agreements to be considered.
- 3.6.7 The Council seeks to achieve regeneration and beneficial change by leadership of redevelopment and stimulation of diversity and quality in employment, service and residential accommodation, to be accomplished through a combination of land ownership and planning powers including using CPO powers and relevant processes.

### **3.7 Letting and Tenant Mix Strategy on investment property**

- 3.7.1 The Council will pursue a commercial letting policy designed to promote efficient management and maintain or enhance asset values and grow income flow.
- 3.7.2 The Council will comply with the Government's '*A Code of Practice for Commercial Leases in England and Wales*' which is designed to offer potential tenants a varied range of tenure options, subject to the principles of good estate management.
- 3.7.3 The Council will ensure that commercial units are available also to all businesses in accordance with the Council's equality and diversity policies. The Council will also provide documentation in a format that is accessible to people with disabilities.

### **3.8 Community Lettings**

- 3.8.1 The Council's policy is to adopt the principles advocated in the Royal Institution of Chartered Surveyors (RICS) report '*Whose Property Is It Anyway?*' and the findings of the Quirk review. This policy has been supplemented by the contents and principles established by the Localism Act.
- 3.8.2 The Council recognises the importance of providing support to voluntary organisations that provide services to the community compatible with the Council's wider objectives. Traditionally this support has taken the form of 'below market' rental levels on Council properties. See **Appendix C** for further information. Each case will be looked at individually along with the level of grant aid which the council provides to the relevant voluntary organisation, but risks associated with this approach should be considered carefully and the appropriate legal measures put in place to ensure all parties are protected.
- 3.8.3 The Council's preference will be to let properties on proper commercial lease terms and open market rents on an "arm's length basis", and where appropriate, to replace the hidden rental subsidy with an overt grant subsidy, with appropriate fully offsetting adjustments to budgets. This will also make the Council's overall support to the voluntary sector, as a whole, more visible and transparent.

- 3.8.4 Notwithstanding this preference the Council acknowledges the need to be flexible and innovative in terms of leasing and ownership options so as to provide solutions best fitted to individual needs.
- 3.8.5 The Council will maintain a record of all community and social lettings to ensure transparency. They will also ensure that relevant Service Level Agreements (SLAs) are in situ in respect of grant aiding any voluntary sector organisation who occupies council buildings and these will need to be regularly reviewed in line with the licences/leases that they are given by the authority to ensure that there is delivery of the service that meets the requirements of EBC and ensuring at the same time they are meeting the requirements of the SLA and the grant funding and can remain in occupation of the asset.

### **3.9 Environmental Impact**

- 3.9.1 The Council seeks to own and occupy property in an environmentally responsible way with a commitment to reduce carbon emissions in accordance with corporate targets.
- 3.9.2 New buildings should aim to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) assessment of at least “Very Good” and ideally “Excellent”, subject to commercial considerations of capital and life cycle cost. All new technologies for new build and retrofit will be considered and where possible prioritised for General Fund assets.
- 3.9.3 Where buildings are directly managed by the Council all property services i.e. repair and maintenance activity will have due regard to environmental and sustainability considerations and life cycle costing in the design, specification and implementation.
- 3.9.4 The Council will implement and comply with the Heat Network Regulations 2014 (As amended 2015) in relation to its property assets.
- 3.9.5 The Council will ensure all its corporate and commercial properties meet the Minimum Energy Efficient Standards, including upgrading the energy efficiency of the building where required, unless exempt from doing so.
- 3.9.6 The Council will ensure compliance in regard to the Control of Asbestos at Work Regulations 2002 and its associated legal duties and asbestos policy, including ensuring any asbestos removed under license is disposed of at authorised landfill sites

### **3.10 Restrictive Covenants**

- 3.10.1 The Council will not seek to breach covenants placed by third parties on its land where still enforceable but will seek to negotiate its modification or removal where appropriate to do so.
- 3.10.2 In relation to covenants the Council has imposed, it will seek to enforce such covenants where it is rational, sensible and proportional to do so, or, where no longer required, seek payment for its release or partial release where lawful to do so and in accordance with policy and fee/ charging schedules to be prepared and agreed.

3.10.3 The principles of such fee and charging schedules are as follows:

- Right to Buy Covenants – Administration Fee
- Qualified Covenants for extensions and minor alterations – Small fixed charge plus Administration Fee
- Qualified Covenants for separate units of accommodation – Enhanced fixed charge plus Administration Fee
- Absolute Covenants for extensions and minor alterations – Small fixed charge plus Administration Fee
- Absolute Covenants for separate units of accommodation – Charge based on up to 50% of increased value

3.10.4 From time to time there are requests to release restrictive covenants on land now owned by Paragon, which was previously owned by the Council prior to the housing stock transfer in 2000. These are passed to Paragon to deal with. The Council are entitled to a pre-agreed share of the fee secured by Paragon for the release of such prescriptive covenants.

### **3.11 Landlord's consent**

- 3.11.1 All requests for consent from the Council should be submitted in writing with supporting information to the Property Portfolio Manager.
- 3.11.2 Requests will be dealt with in a reasonable time period and replied to in writing confirming if consent will be granted, or alternatively stating grounds for refusal of consent. Consent will not be granted until the completion of a formal licence where required.
- 3.11.3 The Council will outline scale fees if applicable for providing consent and the process of providing formal consent.
- 3.11.4 The Council will have regard to principles of good estate management practice in considering any application, and will consider financial, non-financial matters and the impact on the remainder of the Council's landholdings, existing and adjacent tenants, and or impact on the Community, Environment and economic prosperity of the area.

### **3.12 Service Charge**

- 3.12.1 Where ever practicable, the Council will endeavour to re-charge "landlords outgoings" in the running and maintenance buildings let to occupying tenants.
- 3.12.2 Service charge accounts will be levied on the basis of "on account" payments, half yearly, or annual re-charges, and or reconciliations running between March and February or such other period as appropriate for the efficient management and collection of service charges. Full reconciliations will be provided where possible within three months of closing the account for the year.
- 3.12.3 The Council will where possible comply with the RICS Service Charge Code of Practice.

### **3.13 Insurance and Risk Management**

- 3.13.1 The Council will ensure that assets are insured subject to business being put out to tender at appropriate intervals and compliance with the Council's procurement

	rules. Cover is placed on the market based upon cost, the Standard and Poor's rating of the insurance suppliers incorporating financial performance and ability to meet financial undertakings, underwriting experience in the relevant markets and service level agreements.
3.13.2	The Council will insure on the basis of an "All Risks" commercial insurance policy, which will include Terrorism insurance where this is commercially available in the insurance market.
3.13.3	<p>The insured property Declared Values comprising the following will be reviewed and adjusted, as deemed necessary, as part of the insurance renewal submissions:</p> <ul style="list-style-type: none"> <li>▪ Building Reinstatement costs subject to an uplift provision to allow for increasing costs throughout the insurance year</li> <li>▪ Demolition Costs</li> <li>▪ Debris Removal costs</li> <li>▪ Associated professional fees</li> <li>▪ Landlord's fixtures and fittings</li> </ul>
3.13.4	Key assets the Council's Investment portfolio will be valued for insurance purposes by professional, external valuers every 3 years. Operational assets will be reviewed on a rolling programme every 5 years
3.13.5	<p>The Risk Manager will liaise with AMPS to ensure compliance with insurance warranties to avoid prejudicing insurance cover, these to include:</p> <ul style="list-style-type: none"> <li>▪ Unoccupied premises conditions</li> <li>▪ Fire protection conditions</li> <li>▪ Intruder protection conditions</li> <li>▪ Specific requirements e.g. quarterly inspections and cleaning of extraction ducts</li> <li>▪ Air conditioning plant</li> <li>▪ Waste management</li> </ul>
3.13.6	<p>The Council will ensure that all relevant inspections are carried out, remedial measures implemented and certificates obtained at appropriate periods where required including:</p> <ul style="list-style-type: none"> <li>▪ Electrical inspection certificates</li> <li>▪ Underground fuel storage tanks</li> <li>▪ Boilers and Lifts</li> <li>▪ Pressure vessels in accordance with the Pressure Systems Safety regulations 2000</li> <li>▪ Sprinkler systems</li> </ul>
3.13.7	Where responsibility for insurance rests with the tenant, the Council will verify that adequate insurance cover is in place to protect the Councils assets.
3.13.8	The Council will endeavour where permitted to re-charge insurance premiums to tenants where they are insured under the terms of the Council block policy.
3.13.9	An insurance summary with details pertinent to the property will be provided to the tenant if requested.

3.13.10 All re-charges of insurance premiums will be administered annually in advance and to align with the insured period under the Council's block policy.

3.13.11 The Council will require any tenants to have in place £5 million public liability insurance.

### **3.14 Health and Safety**

3.14.1 The Asset Management and Property Services team will implement and maintain a safe and statutory compliant portfolio across both operational and investments properties held by the Council.

This will include monitoring and implementing statutory testing and compliance in respect to the operational assets and ensuring both revenue and capital works are undertaken safely and in accordance to the contractor's risk assessments and method statements.

3.14.2 Where premises are let the Council will ensure that all and any common facilities are compliant with relevant Health and Safety Legislation

3.14.3 Tenants will be required on a cyclical basis to evidence upon request statutory compliance with health and safety legislation including but not limited to Gas, Electric, Asbestos and Fire Risk relating to their leased accommodation. In receiving such information, the Council does not accept any responsibility or liability for compliance or any breach of statutory requirements by the tenant.

### **3.15 Rent Arrears**

3.15.1 The Council will act promptly and diligently in recovering rent arrears in order to protect revenues for front line services.

3.15.2 Rent is deemed to be in arrears if on the day it becomes due the Council is not in receipt of cleared funds.

3.15.3 The Council will use whatever means are available or appropriate to recover arrears of rent, including distraint, legal proceedings, Bankruptcy, Winding up Orders or referral to debt recovery specialists.

3.15.4 It is advised that any tenants who are experiencing problems should make direct contact with the Property Portfolio Manager as soon as possible. Our policy is to work with tenants before any of their financial pressures become too onerous.

3.15.5 Interest will be charged to tenants, on any late payments, strictly under the terms of the lease in question.

### **3.16 Encroachment, Trespass and Unauthorised Access Policy and Procedure**

#### **3.16.1 Summary**

The Council seeks to regularise current practice and implement a standard course of action for the guidance of officers in future cases of encroachment, trespass and unauthorised access onto Council land. Throughout the borough, officers have had to deal with these, for example, where a fence has been installed or moved by the adjoining property owner so as to enclose a piece of Council land. On some occasions and at the request of officers the encroachment has ended voluntarily, however, more often the encroaching land owner

has not complied and the encroachment has continued. The proposed policy deals with such and other similar scenarios.

As such instances vary across in nature and circumstance across the Borough, this policy can only serve as a general guide. Each case will depend on its facts and officers will need to exercise their discretion in applying this guidance to the specific instance.

### **3.16.2 Background**

Encroachment, trespass and unauthorised access onto Council owned land remains an on-going challenge within the borough. The Council own a large amount of land, much of which is open space, recreation grounds, and commons which is managed by officers from other services and Directorates. Where this has occurred and meets the criteria for a prescriptive right of way or adverse possession, the Council may, as a result, lose ownership of a piece of land or the ability to control its future use, and diminution in the value of the land follows:

- The purpose of this policy is to act as a guide for Officers to follow when such instances are on Council land.
- In the majority of cases where encroachment on Council land has taken place, the neighbouring owner has admitted the encroachment and the land has either been (i) physically restored to Council control, (ii) licensed to the neighbouring owner to allow him use of the land whilst confirming the Council's ownership, or (iii) sold to the neighbouring owner where it has been determined that the land is surplus to the Council's requirements and best value has been achieved under Section 123 of the Local Government Act 1972.
- There are also occasions where the neighbouring owner has disputed or ignored the Council's claim and continued to encroach on the Council's land in spite of Officers' queries and letters. Legal Services have then been instructed to write to the owners requiring the removal of the fence or other encroachment, stating a deadline to comply with and the potential sanction of court action or "self-help" to end the encroachment if such action is not taken.
- The 'self-help' process typically involves the Council instructing suitable contractors to go on site and remove the illegal fence/other encroachment. The cost of this process may subsequently be invoiced to the offending adjoining or neighbouring owner by the Council, though to enforce payment would require court action which may not be considered economically viable, depending on the amount.
- With using "self-help", there are risks of threats of violence being made to the Council's contractors and/or officers on site, at which point, for the preservation of health and safety, the contractors/officers would need to be obliged to withdraw from the site.
- The approval of a policy to regularise the Council's current practices and procedures in such cases on Council land will support a more consistent approach which will both strengthen the Council's legal position and place the Council in a more robust position to deal with complaints against the use of remedies available to the Council.
- An appropriate response to these instances will assist the Council in the proper management of the asset concerned, whether by recovery, licensing or disposal.
- Any costs associated with the removal of fencing to re-establish Council owned land will be invoiced to the offending party, this is difficult to quantify as it will depend on the size of land/work involved. There is a risk that minor costs may have to be

borne by the Council if the costs of removal are uneconomical to pursue through the courts.

- Opportunities to sell/lease land will generate income, which will contribute towards the Council's capital receipts.

### **3.16.3 Council Policy- Encroachment on Council Land**

Upon notification of one of the above onto Council land, Officers will investigate and establish the basic facts, including what land portfolio the use directly affects, how long it has been in place and whether recovery of the land is critical to continued service delivery or to protecting the Council's property rights.

In all cases of one of the uses being recognised on Council land, the offending party(ies) will be notified in writing by the Council that it considers an encroachment, trespass or unauthorised access has taken place.

Beyond that notification, when deciding how to respond to such an instance on Council land, the following courses of action should be considered by the Council:

- a) Do nothing – if the instance is too trivial to warrant any further action:

This option is suitable only for such use on a very small scale, e.g. if a boundary fence/hedge is encroaching by a matter of a few inches on Council land. The encroached-on land will be lost to the Council in practical terms, but if the land is part of the Council's registered title, the onus is on the encroacher (if he wishes) to regularise the position with H M Land Registry by seeking amendment of the title. The Council's Geographical Information System GIS will need to be updated, so that the amendment is recorded and filed.

- b) Where the use is more than trivial but recovery of the land by the Council is not currently required, Licence/Lease the land/access/use to the other or install signage at appropriate locations on the land

Seek to grant the other a licence or lease where this is practicable. Legal advice will be sought prior into entering any form of agreement and all legal and surveyor costs are to be borne by the encroacher.

Alternatively, and more specifically in cases of trespass and unauthorised access, the Council may decide to install signs or notices in respect of the use confirming that the use is by the Council's permission and may be revoked at any time. Wording of such signage or notice shall be decided upon by Officers on a case by case basis. This would negate one of the requirements for a prescriptive right to arise.

- c) Where the use is more than trivial but the land is no longer required by the Council:

Seek to dispose of the land to party for the best price reasonably obtainable in accordance with Local Government Act 1972 where this is practicable. Legal advice will be sought prior to entering into any form of agreement all legal and surveyor costs are to be borne by the encroacher.

- d) If recovery of the land by the Council is required, and voluntary compliance has not been achieved with the other party(ies), the options are:

i. Apply "self-help" to recover the land

This option is considered suitable only when the Council's legal entitlement to possession of the land is clear, and the offender fails to respond to letter(s) from both Officers and Legal Services.

A risk assessment will be carried out by Officers prior to contractors being instructed to carry out necessary works to end the use and (if appropriate) protect the land. The cost of the contractors' work to end the use will normally be invoiced to the other party. Self-help can only be applied if the works can be carried out peacefully. Reasonable notice must be given before entering the land and following such notice the works should be carried out promptly.

ii. Court Proceedings are issued for trespass/possession of the land

If self-help is not approved or is unsuccessful, an alternative method to recover the land would be to proceed with court action to recover possession of the land. In certain instances, which will be decided on a case by case basis by Officers, the Council may apply for an urgent injunction, for example, where the health and safety of any person is or potentially could be put at risk.

e) Exceptional circumstances

The Council reserves its rights to pursue an alternative course of action to those described above in exceptional circumstances consistent with its rights and powers as land owner.

3.16.4 Change of Ownership

Any licences granted to owners are personal to them. If the property is sold onto a 3<sup>rd</sup> party, the licence cannot be transferred. The licences will be worded as such and there is an obligation on the seller and buyer to apply for a new licence to be completed prior to sale. There is no obligation upon the Council to agree to a new licence

Note: this policy does not apply to unauthorised encampments in relation to which an alternative protocol exists.

**3.17 Allotments**

3.17.1 Overview

The Council currently owns 13 allotments throughout the Borough. Further details are available on the Council's website.

3.17.2 Policy

Our policy is to charge an annual base rent of £50 or £100 depending on the size of the allotment, or 10% of the gross income, whichever is the higher. Any renewals will be on a 25-year lease.

**3.18 Encampment**

3.18.1 Overview

There has been in recent years an increasing trend of unauthorized encampments in the Borough and from February to August 2018, this reached a figure of 27 in the Borough,

which came a significant cost to the Council. Incursion were mapped over a period of 3 years with £80,000 spent on security improvements.

After a temporary injunction was granted, in November 2018 the Council was granted a 3-year protective injunction banning the setting up of unauthorised encampment and fly tipping on all identified public land.

### 3.18.2 Result

People can now be moved on much more expediently if they take no notice of the injunction and, so far this has proved to be a very effective deterrent.

### 3.18.3 Revised protocol

Report of unauthorised encampments (Customer Services/Surrey Police)

Surrey Police attend to carry out an initial assessment

EBC/SP establish if land is covered by the injunction

EBC instruct court servers to serve Writ of Assistance and injunction on the occupants with a direction for them to leave, accompanied by Surrey Police to prevent a Breach of the Peace.

In the event the occupants refuse to leave the location, Surrey Police will seek to enforce the Injunction through the arrest in a proportionate timeframe, subject to a risk assessment.

The AMPS team will look to support EBC in enforcing this policy at all times.

## 3.19 Legal Advice

AMPS work very closely with the in-house legal team and will endeavour to engage their services on all legal matters relating to property. This will ensure external legal costs are kept to a minimum, but there will be instances where specialist advice will be required on more complex issues.

## 3.20 Village Signs

Any Village Sign should be fully funded, supplied and installed by the 'donor' i.e., individual or group to the satisfaction of the Council to ensure best location, quality and safety.

The Village Sign should be legally 'gifted' to the Council, so that the Council can completely own and manage the Village Sign, avoiding private property being installed on public council owned and managed land.

It would be gifted to the Council on the understanding that the Village Sign, would normally be allowed to remain in place or relocated if necessary for its 'natural lifespan' which could be very short, if vandalised, or for a number of years, depending on the longevity of construction and materials of the Village Sign.

This arrangement would allow the Council to relocate, or remove the Village Sign if required, without notice to the original donor, but the Council would endeavour to liaise with the original donor if practicable.

The Council would insure the Village Sign but seek any maintenance and repair funding from the original donor. If the original donor did not wish to or could not fund the maintenance or repairs and the Council is unable to find maintenance and repair funding from other sources, then the Council would be able to remove the sign as there was no continuing interest or support for the Village Sign.

### **3.21 Energy Performance Certificates (EPC's)**

The Council will target that all EPC's meet a minimum of 'D' rating and this will be monitored on regular basis. There will be genuine exceptions to this especially where there is no budgetary provision to achieve the rating and where the cost of getting them to this level will be prohibitive financially but still in compliance with the Minimum Energy Efficiency Standard.

### **3.22 Repair and Maintenance**

- 3.22.1 The Council will display a preference to let property on a full repairing and insuring basis, and therefore the tenant will be responsible for repair and maintenance of the assets in accordance with the express provisions of the lease/license, and requirements under statute.
- 3.22.2 The Council will undertake to comply with all covenants.
- 3.22.3 The Council will ensure that its properties are maintained in accordance with corporate standards. A poor physical condition can contribute to an atmosphere of decay in the immediate area whereas properties that are well maintained and secure can sustain or elevate the tone of the neighbourhood. The Council recognises that responsible ownership and occupation of property includes acting as a good neighbour by maintaining it in a good condition. It also recognises that insufficient expenditure on maintenance and management is normally reflected in a proportionately greater erosion of value
- 3.22.4 Where appropriate and in accordance with the lease terms an Interim schedule of dilapidations will be served and if the tenant cannot rectify the breach, and it is serious enough that the tenant is putting the Council at risk consideration will be given to terminating the lease and taking back the property subject to consultation with local Councillors and the Portfolio Holder for Resources.

### **3.23 Rent Reviews and Lease Renewals**

- 3.23.1 This area of professional activity will be co-ordinated by AMPS Team in conjunction with the Council's Legal department. The activity may be instigated in-house or may be undertaken by appropriately qualified external professional advisers.
- 3.23.2 Where the council implements rent reviews and lease renewals, it will seek to establish the highest market rental value supported by comparable evidence, to preserve the capital value and income flow of the portfolio.
- 3.23.3 Where the Council implements lease renewals it will seek to impose terms that are commensurate with market practice, RICS guidance, and that preserve the value and income flow from the portfolio.
- 3.23.4 In accordance with the Letting/Tenant Mix Strategy, the Council in all new leases will consider providing tenants with priced options in relation to monthly/quarterly in advance rents, upwards and downwards reviews, and all other reasonable requests. The council is required to secure best consideration in rent review and lease renewals activity.

- 3.23.5 Where agreement cannot be reached through negotiation the matter will be referred to either an independent expert or arbitrator in accordance with the terms of the lease. In addition to this mediation will be considered (PACT) as part of the process. If the above routes fail, then the matter will need to be referred to a legal team for consideration.

### **3.24 Dilapidations**

- 3.24.1 The Council will undertake interim and terminal dilapidations schedules where appropriate to do so. The costs of preparation and service will be advised at the time of preparation and will be recovered where it is permitted to under the terms of the lease/license.
- 3.24.2 The Council will comply with the *Dilapidations Protocol 2012 of Property Litigation Association* and will use its best endeavours to mitigate any claim for damages and costs.

### **3.25 Tenant Associations with regard to the residential portfolio held by EBC**

- 3.25.1 The Council will promote and encourage the adoption of Tenancy Associations or member of Tenant Bodies etc.

### **3.26 Commercialisation opportunities**

- 3.26.1 The Council will explore all opportunities to generate additional income from its portfolio of Land and Buildings, although not limited to these will include:

- Telecoms/way leaves etc.
- Advertising
- Kiosks
- Promotional displays/events
- Markets/street trading
- Pop up shops
- Concessions

- 3.26.2 In all instances the Council will have regard to the impact of the activity on neighbouring owners, tenants and the community and neighbourhood.

### **3.27 Valuation**

- 3.27.1 All investment assets are valued annually by an external and independent valuer. Larger operational assets such as the Civic Centre and Excel Centre, and car parks are valued on an annual basis and other operational asset are valued on a rolling 3 to 5-year programme.
- 3.27.2 Professional property valuation services will be undertaken by AMPS. These will be undertaken by RICS qualified members of staff for a range of purposes across both commercial and residential sectors where possible. Alternatively, AMPS will be responsible for commissioning external valuation advice from appropriately qualified professionals. It will be left with the department to make the best commercial decision as to whether to use internal or external services.
- 3.27.2 An internal system of Quality Assurance is observed.

- 3.27.3 All valuations comply with Chartered Institute of Public Finance and Accountancy requirements in relation to valuation and asset register requirements of the end of year accounts.
- 3.27.4 The Council will outline scale fees, for undertaking valuations if appropriate.
- 3.28 Property Subsidisation**
- 3.28.1 The Council is empowered, in certain circumstances, to grant interests in property at less than best consideration. However, this often disguises the actual costs of property on any particular project. All consideration is taken to ensure that valuations reflect any such subsidies when setting rental levels.
- 3.29 Equalities and Diversity**
- 3.29.1 The Council has a Diversity and Equalities Action Plan and it will ensure that all actions taken under the AMP support this Action Plan. In the delivery of projects Equality / Diversity Impact Assessments are undertaken as necessary.
- 3.29.2 The Council will continue its work on Disability Discrimination Act access to public buildings. All buildings have had accessibility surveys and have accessibility Plans in place.
- 3.29.3 Wherever appropriate the Council will also support equalities initiatives in property management and construction.
- 3.30 Procurement**
- 3.30.1 In accordance with our policies we adhere to the procurement strategy and where relevant and appropriate Framework agreements are used to deliver best value and service. Further information relating to EBC's procurement strategy can be found on the website.
- 3.30.2 AMPS will provide clarity, management and motivation as required by the Procurement Policy in delivering best value.
- 3.31 Utilities and Wayleaves**
- 3.31.1 Any requests for access over Council owned land for the purpose of installing or connecting into a service media shall be dealt with in accordance with the New Roads and Street Works Act 1991 and where changes are permitted to be made by the owner of the land under the legislation reasonable charges may/will be made.
- 3.31.2 Any requests for the Council to grant wayleaves across its land will be considered on a case by case basis ensuring compliance with any law requiring permission to be granted.
- 3.32 Charitable Incorporated Organisations (CIO's)**
- 3.32.1 CIO status became available to charities in England and Wales in March 2013 who want to become incorporated. It allows them to just register once with the Charity Commission as an incorporated form of charity which is not a company. This cuts out the need to register with and report to Companies House.
- 3.32.2 One of the main purpose's is to reduce administrative burden. The CIO has its own legal persona so it can enter into contracts in its own right rather than in the name of individual trustees. Trustees will also have limited liability.

- 3.32.3 This can increase landlord's liability on repairs. The Council will from time to time be required to grant leases and licences to CIO's and will consider all CIO's on a case by case basis.

### **3.33 Overhanging Tree Policy**

- 3.33.1 If AMPS are contacted regarding overhanging trees, the resident is in the first instance to refer their request to the Council's tree officers.
- a. The tree officers will then check to ensure the tree is within Council ownership and assuming it is, will send a tree officer to inspect the tree. If the tree / branches represent a H&S risk, the tree officer will arrange for the works to be undertaken and will liaise with the resident directly.
  - b. If the tree does not represent a H&S risk, the Council will not undertake any associated works, however the resident will be permitted under common law rights to cut the branches back to the boundary, subject to certain provisions which will be covered under the tree officer's standard response letter; e.g. the resident must only undertake the works from their side of the boundary (i.e. not on EBC's side) and any arisings must be removed and disposed of by the resident at their own cost.

Lastly and for clarity, the Council will under no circumstances take direct payment from a resident for undertaking works on the resident's behalf, nor can the Council recommend any arboricultural contractors.

### **3.34 Telecom Masts Policy**

Telecommunications installations usually consist of a monopole (mast) with adjacent equipment cabinets. Where these are to be installed on land owned by Elmbridge Borough Council, the consent of the Council will be required unless a court order has been obtained by the operator under the Electronic Communications Code that dispenses with the need for our consent.

Following a request for consent, an assessment will be made by the Council as to whether or not there will be any prejudice suffered by the Council as a result of the installation or presence of the equipment or if there are any plans in relation to the land that will be affected by such or if there are any other relevant factors that affect the Council's decision as to whether or not consent should be granted. Where the Council considers it prudent to do so, it will refuse consent.

If the Council agrees to grant consent, terms of the agreement shall be agreed with the operator that comply with Code rights and that protect the Council's interests. Any agreement shall be subject to planning and any other consents that may be required.

## **4. HOW THE COUNCIL WILL STRATEGICALLY MANAGE ITS PORTFOLIO**

### **4.1 The Procedures in Place to Manage Our Assets**

The highest management of Council property assets is through the Corporate Property Group, which is accountable to the Council Management Board.

The Head of Asset Management and Property Services chairs the Corporate Property Group with responsibility for property assets. The group also comprises of representatives from all services with land and property interests, e.g. Leisure, Community Services and Environmental Care along with other departments which influence or are involved with property management, e.g. Finance and Legal.

The Corporate Property Group meets on a bi-monthly basis and discusses the direction of the property portfolio, monitors property performance and takes reports on key property projects.

The Chair of the Corporate Property Group makes appropriate representation to the development of the Local Development Framework in order that the Council's property interests are fairly represented along with all other stakeholders.

The Chair of the Corporate Property Group also discusses key property management and strategic issues with the Member with responsibility for Resources and the Council Management Board.

Council Management Board also ensures that property management activities comply with the requirements of corporate governance as set down by the Local Government Act 1999.

## **4.2 General Management of Property**

Officers within both the Services and Resources Directorate manage on a day-to-day basis, both the non-operational and operational estate on a daily basis. Most departments will from time to time be directly involved with specific initiatives and projects pertaining to EBC land and property that they occupy. The majority of the Council's responsibilities are managed at a corporate level by the AMPS Team acting as the Corporate Landlord i.e. undertaking and ensuring all property related matters regarding the day to day running and maintenance of the asset are the responsibility of officers within the AMPS team.

Where additional resource or expertise is needed with regard to either a non-operational asset or operational asset external consultants will be employed to assist as appropriate.

The Council's portfolio is managed to a 'fit for purpose' standard and every opportunity will be taken to improve the financial performance of the portfolio.

## **4.3 Property Reviews for both Operational and Non-Operational Property**

Property performance is assessed regularly. Each Head of Service, occupying or managing Council property, will be required to consider the following:

- Is the property appropriate for current and future service needs?
- Is property meeting financial and or community goals?
- Can the property be better utilised or managed in an alternative way?
- Does the property require major investment?
- Should the property be held for long-term development?
- Is the property surplus to requirements?
- Should any acquisition of any land or asset be considered to enhance value?

## **4.4 General Property Policies to be implemented in the Asset Management Strategy**

### **4.4.1 Rent Reviews**

Implement all rent reviews to Market Rental Value, in good time, subject to any delays which may aid the Council's position on negotiations and all rent review memorandums are completed expeditiously. If nil increases are applicable, they should always be documented in the same manner. If any historic reviews are outstanding these should be dealt with in the same way as upcoming rent reviews. Any completed rent review memorandum will be added to the deeds packet for the property. The obligation is on the Officers in the AMPS team to provide that to the Legal team.

#### 4.4.2 Tenants adhering to the terms of their lease

Ensure tenants are complying with the terms of lease and/or provisions of grant.

#### 4.4.3 Lease renewals

Commercial lease renewals to be actioned at tactically the most appropriate time, with more proactive asset management where there is a potential upside for the Council.

#### 4.4.4 Licences

Standard licences issued by AMPS wherever possible reduce legal costs.

#### 4.4.5 Rental Payments

Ensure all rental invoices both for Investment and Operational portfolios, are issued 1 month before the due date and chased within 5 days of the due date. If the rent is not paid under the terms of the lease, the appropriate rate of interest to be charged on outstanding rent.

#### 4.4.6 Rent concessions

From time to time there are requests from EBC tenants for short term or permanent reductions in their rental payments under the terms of the lease. These will not be permitted at any time, as all tenants will have signed a legally binding agreement. There are a number of historic rental concessions agreed but these will all be terminated at the time of any existing agreement terminating.

#### 4.4.7 Lease Profile

To modernise and streamline leases upon expiry and protect the Council's position.

#### 4.4.8 Revenue Cost

Reduce the revenue cost of operational property and ensure that they are fit for their operational purpose.

#### 4.4.9 Increase income

To continue to increase revenue income from the investment portfolio.

#### 4.4.10 Repairing Obligations

All properties owned and managed by the Council will be maintained in a satisfactory condition throughout the asset's life span.

### **4.5 Key Property Management Criteria**

All property will be managed in support of the Council's Corporate Strategy and Plan. Heads of Service will account for how assets are used to enhance service delivery.

Comprehensive, independent, property reviews (usually employing an external professional to introduce additional challenge to the process) will approximately every five years be undertaken.

Partnering organisations will be encouraged to co-locate and provide improved and efficient service delivery to the community and / or share in the operating costs of the building.

All property leased to any party will be leased in compliance with the commercial lease code. Any subsidy deemed appropriate by the Council will be managed in accordance with the Council's financial criteria or priorities for grant aid funding.

All investment Strategy and Planning will take into account whole life cycle costing. Capital and revenue programmes will make provision for appropriate and sustainable levels of investment.

Property performance will be monitored through agreed key performance indicators this will include the following targets:-

- 90% of the investment properties rent to be collected within 7 days of the quarter day.
- Service Charge Budgets are set 1 month in advance of the service charge year end.
- Service Charge year ends reconciliations should be completed within the 3 months of the year end.
- Minimise voids within both the operational and investment portfolio no more than 10%.
- Ensure 100% of vacant property inspections are carried out quarterly.
- 100% Quarterly Property Inspection are carried out by an AMPS officer both on the operational and investment portfolio.
- 95% of Property data is held on the council's property data base software.
- Priority 1 Condition Survey items are undertaken within the financial year they are identified.
- Priority 2 Condition Survey items are undertaken within the following financial year that they are identified.
- Priority 3 Condition Survey items are undertaken within the years 3-5 following the financial year that they are identified.
- When a reactive service maintenance request is raised these will be inspected by a surveyor/engineer within 3 working days.
- Energy performance measures – where feasible and not cost prohibitive a minimum "D" will be attempted to be achieved on all properties.

Property users have responsibility for minimising property running costs and building occupancy.

Heads of Service and property users will take all reasonable actions to ensure that the Council's properties meet all appropriate statutory requirements.

All Heads of Service will ensure that their future property accommodation needs are identified in their Service Plans.

All strategic property decisions will be made in accordance with the Council's constitution.

#### **4.6 Condition Surveys**

All operational properties will have a full maintenance and condition survey carried out every five years, subject to lease conditions and access. These condition surveys will help determine the future maintenance (budgetary) needs of the building.

All non-operational property will be assessed and surveyed with regards to the tenants' compliance with the terms of the lease on a cyclical basis.

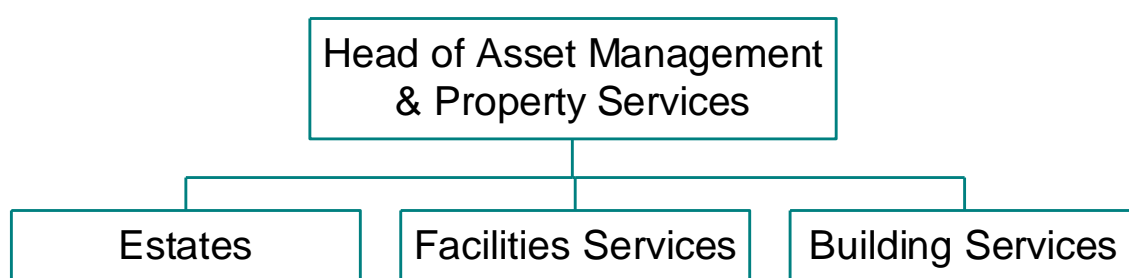
In addition to the regular condition surveys various specialist surveys will be commissioned from time to time in order to identify or monitor specific problems, e.g. structural, water hygiene, asbestos, subsidence, etc.

#### **4.7 Asset Management and Property Services (AMPS) Team**

##### **4.7.1 AMPS**

They are now responsible for the overall management of the Council's property portfolio. This division provides professional advice relating to all property related matters affecting the Council's Land and Assets along with ensuring the portfolio is energy efficient. The head of this section reports directly to the Deputy Chief Executive.

The Structure of Asset Management and Property Services is shown below:



##### **4.7.2 Property Services**

The Property Services Section reports to the Head of Asset Management and Property Services and ensures an efficient, cost effective and energy efficient corporate estate, which makes best use of and extracts optimum value from these assets, also provide effective, professional and timely valuation and estates advice and services in the management and development of the Council's corporate property/estate.

##### **4.7.3 Building Services**

The Building Services Section reports to the Head of Asset Management and Property Services. The Section is responsible for ensuring that an up-to-date property condition survey is in place, managing and co-ordinating associated works resulting from this survey and, in liaison with the respective service Divisional Heads, ensuring that buildings within the portfolio are maintained within the available budgets to maximise their use and value and comply with relevant legislation.

Building Services provides the following:

- Advice to Members (Council, Cabinet, and Overview and Scrutiny Committees) and Officers on all surveying related matters;
- Effective provision and supervision of specific projects relating to planned programmes and major capital works for the Council's buildings, estate and ancillary properties;
- Initiation, co-ordination, execution and supervision of repair and replacement works as appropriate;

- Ensuring that surveying functions are delivered in accordance with Council policy and relevant legislative requirements including adopting a sustainable approach;
- Client-side function;
- Managing the expenditure of the capital projects against budgets; and
- Ensuring property compliance meets all statutory regulations.

#### Maintenance and repair

The Councils planned and reactive maintenance budgets following the condition surveys carried out in 2017, for the 2019/20 year are as follows:

	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 £</b>
PROGRAMMED MAINTENANCE	158,870	162,842	166,913
CONDITION SURVEY WORK	179,370	183,854	188,451
REACTIVE REPAIRS	166,050	170,201	174,456
<b>TOTAL</b>	<b>504,290</b>	<b>516,897</b>	<b>529,820</b>

#### **4.7.4 Facilities Services**

The Facilities Services Section reports to the Head of Asset Management and Property Services. The Section is responsible for the day to day running and maintenance of the Civic Centre ensuring that the building is operated effectively and efficiently for officers, visitors, Members, tenants and other stakeholders. The service includes an administration team and Civic Attendants whom are responsible for the operation of the building, along with the associated servicing contracts such as security, cleaning, mechanical and electrical aspects, furniture, waste disposal.

### **5. PROPERTY DATABASE**

The onus is on the AMPS team to update the Council's Property software known as Technology Forge on a daily basis. This includes any changes in tenants rent that is communicated to the Finance team, so the correct amount can be invoiced. Legal provide AMPS with written confirmation that a legal document is completed. Any financial changes need to be notified by AMPs and then in turn to the Finance team, who then in turn set up the necessary payment details relating to rent, service charge, insurance details together with any other monetary matters.

Other databases (embracing core data for all Council property) include the following:

- The Asset Valuation Register is held within Finance Division. This register includes details of property use, site valuation basis, capital value and depreciation period. The data base detailing property, occupier, current rents payable, leasehold details (including rent review dates and repairing liability) is Tech Forge. It is envisaged that once a full database of all assets is collated and data cleansed the AMPs team will take on the liability for the register and any new assets etc will be included and reported upon in accordance with financial strategy;
- The GIS web application, known as Bridge-IT's Atlas, is available on the Elmbridge Borough Council intranet to over 250 users within the Council; AMPS are working within this framework to ensure our assets are registered and visible to other officers;

- A significant number of data sets have been captured e.g. land use, providing seamless categorisation of land use according to the 51 National Land Use Database Categories;
- Recent mapping exercise of other public sector assets in Elmbridge has been completed and the information loaded onto the Council's GIS. This has captured the majority of other public sector assets including those of Surrey County Council, Elmbridge Housing Trust, Police, etc. This information will assist in developing a more holistic approach in relation to the Council's area-based property review proposals; and
- Desktop GIS software has been installed for specific applications where direct use of the GIS is required. These users are the LLPG Project Team (GIS is fundamental for the creation and maintenance of the Gazetteer), Building Control (for the efficient production of street numbering and naming mapping), Environmental Health (for contaminated land), Asset Management and Property Services (land terrier) and Environmental Care (survey and data capture for garden sites).

## **6. PROPERTY MARKET OVERVIEW (MAY 2019)**

### **General UK Views**

*Miles Gibson, Head of UK Research at CBRE*, believes 2019 'will be a challenging year for UK real estate' due to Brexit uncertainty, weak growth and international risks from trade, 'populist' governments and debt.

*Savills (March 2019)* agree and predict that slow growth will have a 'negative impact on the occupational markets' due to lower corporate activity.

*Colliers (Feb 2019)* believe UK growth is dependent upon 'whether or not a deal is struck with the EU'.

*GL Hearn (March 2019)* note that spending by local authorities remains elevated with councils in the south east most active. This includes Spelthorne, Runnymede and Southwark, all spending over £100m in 2018. This coincides with a 'slowdown in (property) spending on the struggling retail sector'.

### **Sector Views within Elmbridge**

#### **Retail**

The retail sector is under extreme pressure with many operators struggling to combat the online market. Zone A rents have noticeably cooled, even in key towns such as Esher and Cobham where demand was previously exceptional. Restaurant and Bar operators are also under pressure with some of the major chains seeking to minimise their rental position.

#### **Offices**

Elmbridge has not operated an Article 4 Direction hence there has been less erosion of office space in this sector, unlike other nearby areas. Rent levels have steadied after significant increases over the previous 3 to 4 years. Headline rents for grade A & B+ space in Esher at £35 psf. Weybridge rents are at early £30 psf and Walton on Thames at late £20 psf. Demand is steady but patchy. There is still a reasonable amount of available space in Weybridge and business parks.

#### **Leisure**

Still a reasonable demand in this sector but constrained by suitable premises providing an appropriate consent. Gym operators and health users consistent in seeking premises.

### **Industrial**

The industrial and warehouse sector has been a major performer in recent years, mainly driven by limited availability of stock which has led to significant rental increases. There are still minimal new developments occurring whilst demand remains strong, which suggests that rent levels will continue to steadily increase for the immediate future.

### **Investment**

With uncertainty over the Brexit outcome we have seen major funds hold back from further acquisitions since the start of the year. However there still remains a strong level of buyer interest from Propcos and high net worth individuals, mainly from overseas, looking at opportunities. The perception is that the SW M25 sector is resilient to downturns and will retain a good level of interest with yield profiles remaining low and unchanged. Particular interest in this sector is for industrial estate acquisitions.

### **Residential**

The overall market locally and nationally appears to have softened, mainly due to uncertainties over the economy. The top end of the market has been particularly impacted with notable discounts in values over the last 12 / 24 months. Demand is still reasonable for flat purchases, but the overall view is that the residential market will remain challenging for the foreseeable future.

## **7. PORTFOLIO OVERVIEW**

This section details the current property portfolio and how the Council strategically manages its holdings, its procedures and other policies and strategies it relates too.

As part of our ongoing review of our assets, we continue to review the portfolio with a view to dispose of assets that are surplus to our operational requirements and, wherever suitable make a contribution to the delivery of affordable housing in the Borough. In respect of our non-operational portfolio, our scope for disposal is somewhat limited, after we embarked on a disposal programme in the early 1990s.

Property assets are broadly divided into investment property (used to generate income or support the local community or both) or operational property (used to deliver services).

Most properties owned by the council is managed in-house within the Asset and Property Services team, however, the multi-tenanted investment properties are increasingly managed by external managing agents. These external managing agents have the expertise and resources to deal with the intensive nature and large service charges often attributed to these types of assets. Having said that the estates surveyors work with the managing agents and the tenants, to ensure effective management arrangements are in place.

### **7.1 Investment Portfolio Overview**

The main objective of the investment properties is to manage the portfolio so that the financial return to the Council is optimised and support the local community in line with the Council's priorities.

These properties are held mainly for financial return (income or capital). The Council will continue to review and drive performance of its investments through the Plan and to provide long term sustainable income to support the Councils service delivery.

The Investment Portfolio comprises 5 property sectors Retail, Residential, Industrial, Offices and Mixed Use and is focussed in the Boroughs main towns.

These investments are held and managed primarily for financial return, both capital and revenue, and the Council monitors and reports on their performance on a regular basis.

Many of the properties have a social economic component to them, alongside their financial returns. In considering its investment portfolio the Council will have regard to the social benefit also generated by its assets.

Individual property asset management plans are produced for each of the investment properties to help manage the asset.

These asset management plans set out a brief synopsis of the key criteria of the investment property, including tracking the value of the property and sets out a clear short to medium term strategy for each individual property. These asset plans are reviewed and updated on a quarterly basis, and provide a clear picture of the property, its strategy and what we are looking to achieve moving forward.

There are currently 12 Investment properties within the portfolio and at the end of March 2019, the investment properties held by the Council were valued at £91.8 million. At the end of March 2018, the value of investment properties held was £76.5 million with the increase mainly attributed to the purchase of the Weybridge Estate in January earlier this year. There has also been some movement of assets in the last year, River mole is now re-classed as an operational property since the community services team occupies the first floor of Unit 1 of the property. Furthermore, following the decision to not implement the planning permission at Cobham garages, this is no longer a standalone investment and forms part of the Cobham high street investment.

The gross rental income received during 2018/19 was £3.9 million compared to £3.1 million in 2017/18, a 26% increase. This increase is largely down to good asset management by officers in Asset Management & Property Services (AMPS) in terms of settling rent reviews and lease renewals promptly where possible and dealing with lease expiries and new lettings proactively. In addition, the purchase of the Weybridge Estate in January 2019 contributed to the income.

In 2019/20, these properties are expected to produce a total of £4.3 million gross annual income.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to income and the proceeds from sale.

Gross Income from current property investments held in the portfolio:

<b>Property</b>	<b>Sector</b>	<b>Valuation as at 31/3/2019</b>	<b>Expected income for 19/20</b>
Old Post Office, Esher	Offices	£2,175,000	£110,000
Fairmile House, Esher	Offices	£1,800,000	£0 ***
Consort House, Weybridge	Offices	£5,375,000	£350,000
Unit 1&2 Vickers Drive, Weybridge	Industrial	£16,165,000	£772,800
Thomas Hardy House, Weybridge	Offices	£6,275,000	£385,500
26-38A High Street Cobham	Retail/ Residential/ Garages	£7,265,000	£400,400
21 High Street, Weybridge	Retail/Residential	£900,000	£54,180
Weybridge Estate, Weybridge	Retail/Residential/ Offices	£18,197,000**	£570,500
North Weylands Industrial Estate, Walton *	Industrial	£2,925,000	£134,180
Elm Grove Walton on Thames*	Mixed Use	£650,000	£52,000
50-68a High Street Weybridge	Retail/Offices	£15,610,000	£763,170
Sandown Industrial Estate, Esher	Industrial	£14,525,000	£605,430
<b>Total</b>		<b>£91,862,000</b>	<b>£4,310,570</b>

\* Assets already owned by the Council as Investment Properties prior to 2012.

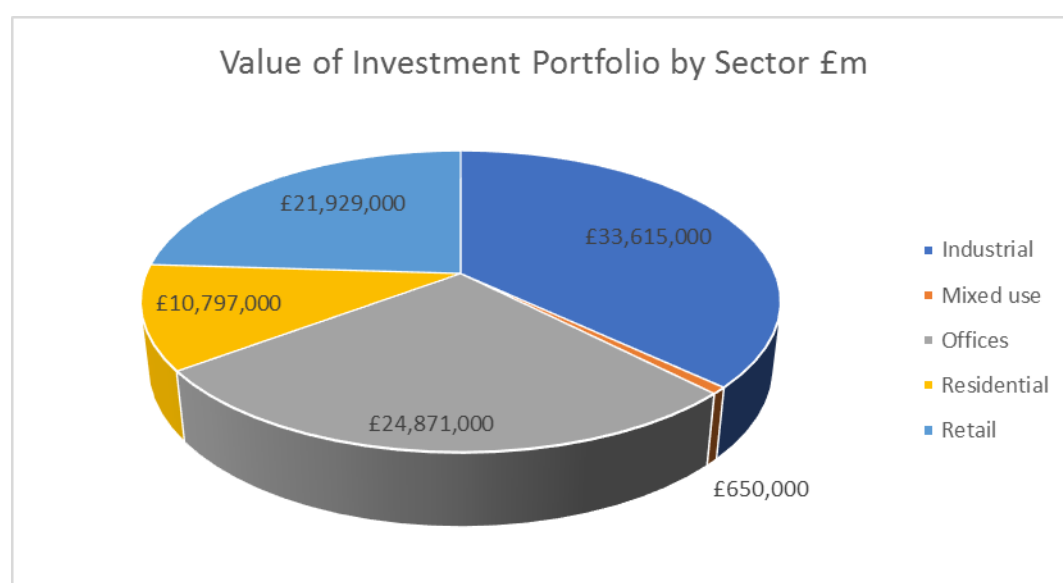
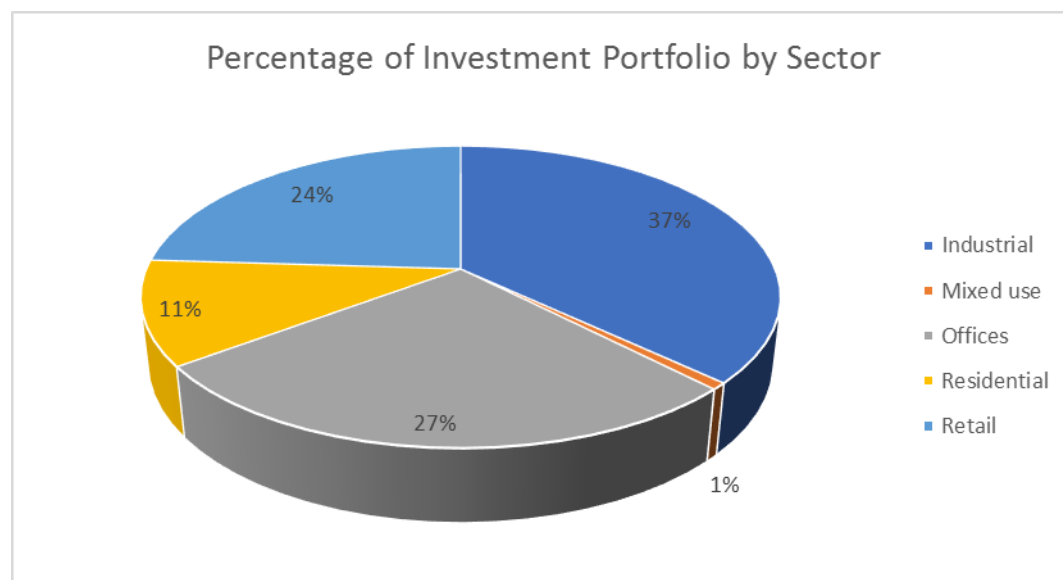
\*\* This value includes the cost of purchase as stated in the accounts.

\*\*\* The tenant has recently vacated and we are marketing the premises to secure a new occupier as August 2019.

The following graphs demonstrate the breakdown of the Investment Portfolio to show how the portfolio is split.

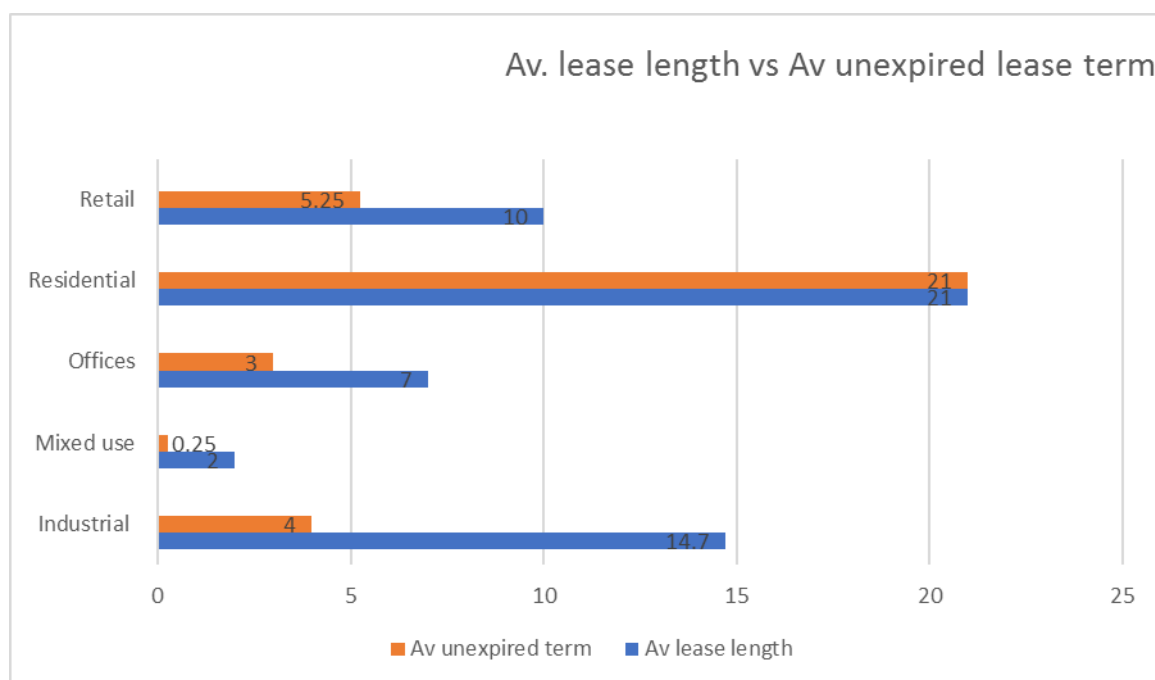
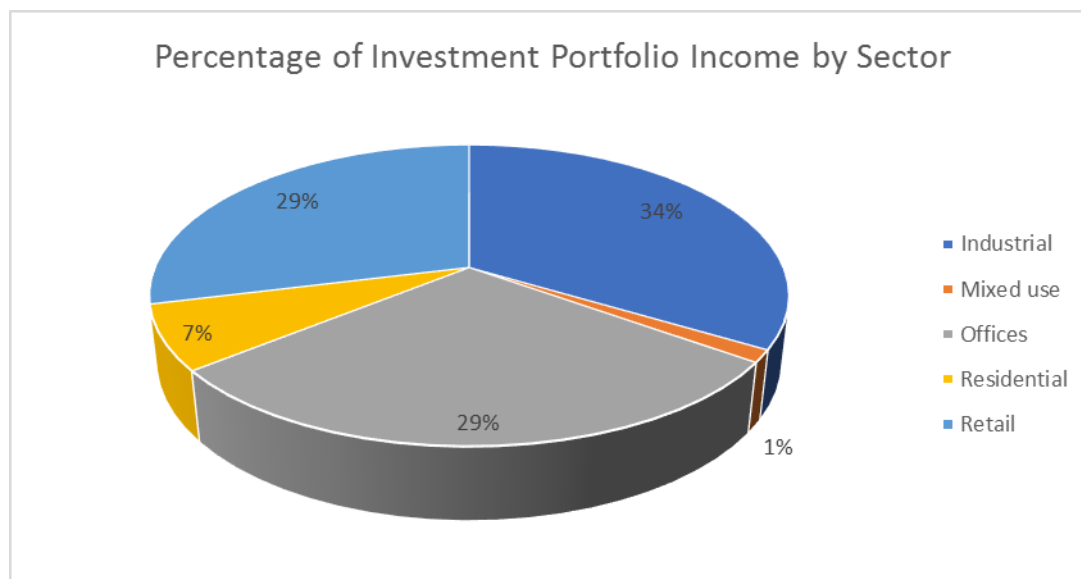
### Value of the investment portfolio by sector

The graphs below show how the investment portfolio is weighted by value and income

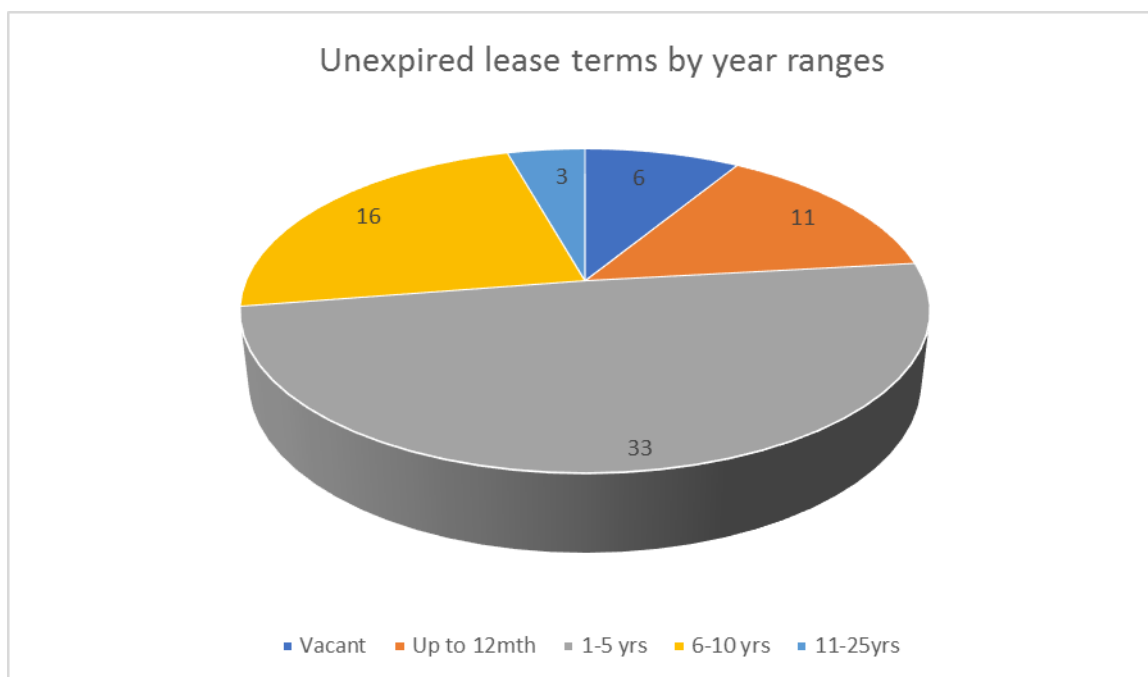


The changes in the portfolio over the last 12 months demonstrate the portfolio is more equally weighted and therefore balanced between the three main investment sectors, Retail, Offices and Industrial. Whilst the council does not set a weighting structure in its Investment strategy, in these uncertain times it is a benefit to not be overly weighted to a particular sector.

## Percentage of Investment Portfolio income by sector (at 2019/20 levels)



The graph above demonstrates the average unexpired lease term for the investment properties within each sector, compared with the average lease term granted. The industrial numbers are slightly skewed as there are two leases which have a lease length of over 50 years. In addition, there are a number of assets that are held for potential regeneration and therefore we have allowed the leases to remain short.



The above graph shows the majority of the leases within the Investment portfolio have an unexpired lease term less than 10 years, a number of short leases are in assets where future regeneration is being considered.

### **Key Indicators**

The following key indicators can also be used to monitor the portfolio performance as reported below:

- 1) Effective Return – Income received less costs, expressed as a % of capital value

Year	Asset Value (£'000's)	Gross Income (£'000's)	Gross Effective Return %	Net Income (£000's)	Effective Return (net income) (%)
2016/17	42,700	1,984	4.65	1,250	2.93
2017/18	76,515	3,092	4.04	1,732	2.26
2018/19	91,862	3,893	4.24	1,570	1.71

- 2) Increase in Asset Value- Percentage increase by year including new asset purchases.

Year	Asset Value (£'000)	Asset Growth (%)
2013/14	18,493	
2014/15	19,780	6.95
2015/16	28,160	42.36
2016/17	42,700	51.63
2017/18	76,515	79.19
2018/19	91,862	20.06

3) Income Growth – Percentage increase in gross income per year

Year	Gross Income (£'000)	Income Growth (%)
2015/16	1,369	
2016/17	1,984	44.92
2017/18	3,092	55.85
2018/19	3,893	25.91
2019/20 (budgeted)	4,310	10.51

4) Vacancy Rate expressed as a percentage where units are vacant

Property	Vacancy Rate %	Potential rental (estimated) £'000	Comments
Cobham Garages	50	8	Held vacant for development, reconsidering options
Quadrant Court, Weybridge	35	45	Actively marketing
Barnet House, Weybridge	100	40	This is held vacant for residential PD
50-68 High Street, Weybridge	9.9	90	Actively marketing

Performance of the portfolio is stable and consistent, the assets in the portfolio have generally held up well in the uncertainty surrounding the property market particularly considering Brexit. There have been challenges as tenants are affected by the strains in the economy, however, the asset management team work with the tenants to resolve any rental issues to ensure problems are not compounded.

### **Asset and Property Management**

The majority of the property owned by the council is managed in-house within the Asset and Property Services team, however, the multi-tenanted investment properties are increasingly managed by external managing agents. These external managing agents have the expertise and resources to deal with the intensive nature and large service charges often attributed to these types of assets. Having said that the estates surveyors work with the managing agents and the tenants, to ensure effective management arrangements are in place.

As the investment portfolio has grown over the years and is approaching £100 million in value, it is prudent to consider whether there is merit in employing a best in class managing agent to undertake the management of all the investment properties. This will ensure a consistent best in class service allowing the council to continuously benefit from changes in best practice when managing properties. In addition, this will allow the internal team to focus on asset management allowing the assets to be worked a bit harder and projects.

When acquiring properties, officers will use external agents to advise on the purchase which provides an independent view and benefit from their external expertise, to ensure the best result is achieved and the council's position is fully protected.

In respect of managing the asset management process a new property management system has procured, Tech Forge, the introduction of this database will enable the team to manage the accuracy of the data and to ensure the properties are managed efficiently and effectively. It is expected that Tech Forge will be operational in the summer of 2019, the final stages of data cleansing currently underway.

In addition, individual property asset management plans are produced for each of the investment properties to help manage the asset.

These asset management plans set out a brief synopsis of the key criteria of the investment property, including tracking the value of the property and sets out a clear short to medium term strategy for each individual property.

## **Review of the Investment Assets**

### **Cobham - 26-38a High Street**

A parade of 8 retail units. The upper parts are typically used for ancillary storage apart from 2 self-contained 2-bedroom maisonette flats at numbers 32a and 34a. The shops are let to various tenants including Costa Coffee, Crew Clothing and Mint Velvet. Both flats are currently let on assured shorthold tenancies.

We will continue to hold and strategically manage the above properties.



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### **Cobham Garages**

This block of garages is immediately to the rear along with land adjacent where we are currently reviewing our options. The most favourable option is to demolish the 17 garages and convert these into approximately 30 private rented spaces on annual licences. Currently approximately 9 of the garages are let producing an income of £8,000 per annum.



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### **Esher - Fairmile House, Claremont Lane**

The property is currently vacant. The property has been earmarked for affordable housing and architects have provided initial drawing for potential flats.



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### **Esher - 81 High Street**

A former Post Office Building of significant historic interest, comprising office and retail space over basement, ground, and first floor.

The front of the property was built in the early 1900's. The rear extension was built in the mid 1980's. There are 19 car parking spaces to the rear of the property.

Knight Frank occupy the basement, ground, front part of the first floor, and the entire second floor. The basement is used for storage.

AD Communications occupy the rear part of the first-floor offices, accessed from the rear, directly from the car park.

The building has a net internal area of 6,800 sq.ft.

We will continue to hold and strategically manage the above two properties.



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### **Esher - Sandown Industrial Estate**

It is located approximately 1 mile north of Esher Town Centre. The ownership comprises 12 single storey industrial/warehouse units arranged in 2 terraces.

A number of units have been subject to tenants' improvements including the provision of additional office accommodation and mezzanine floors.



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### **Hersham North - Weylands Industrial Estate**

It is located to the North of Hersham. The immediate surrounding is predominantly commercial in nature, with Hersham Trading Estate adjacent.

EBC own units 12,13 and 14. EBC has no short to medium term plans for these buildings. Units 12 and 13 have circa 8.5 years unexpired, and unit 14 has circa 7 years left on the lease.



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### **Walton on Thames - Elm Grove Hersham Road**

The Elm Grove site has a number of buildings and uses on the site. The main building is a former Magistrates Court.

The 6,000 sq.ft. Grade II building is currently let on a short-term basis to an educational establishment at a market rent and is in need of considerable refurbishment.

EBC will obtain vacant possession and work in partnership with Surrey County Council, who also own land holdings on Elm Grove, to achieve a deliverable redevelopment option.



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### **Weybridge - Consort House Princes Road**

This is a 3-storey detached office building arranged over part ground floor and 2 upper floors, with plant room and ancillary storage on the 3<sup>rd</sup> floor.

Currently fully let to Glass's Guide on a lease expiring in 2022. We have no plans for the building other than to continue to manage and receive income from the investment.

It totals 15,600 sq.ft. with car parking for 88 vehicles.

We will continue to hold and strategically manage the property.



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### **Weybridge - 1& 2 Vickers Drive**

An industrial unit located on Brooklands Industrial Estate, totalling 87,000 sq.ft. It is let to John Lewis on 2 coterminous leases expiring in March 2023.

The rent reviews are RPI linked, and we are in regular contact with John Lewis about their longer-term plans beyond 2023.



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### **Weybridge - Thomas Hardy House Bridge Road**

This property comprises 2 office buildings of differing ages, connected by a ground floor link corridor. A small part of the property is used for retail (personal to the tenants). The buildings have recently been refurbished to a Cat A specification. The tenant, Accolade Wines has also fitted out the premises to a very high standard.

We will continue to hold and strategically manage the property as it is let until 2025, with a tenant's break clause in 2020.



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### **Weybridge - 21 High Street**

The property comprises a 3 storey 1900's mid terrace building. There is a ground floor shop let to Space NK, and the first and second floor flats are 2 one bed properties, which are accessed via the rear of the properties.

The retail property is let until 2024. We will continue to hold and strategically manage the property.



## Weybridge - 50-68 High Street

The property is situated on a prime pitch on Weybridge High Street, with occupiers including Waitrose, Domino's Pizza and Sweaty Betty, with a number of offices suites located on the first floor.

We will continue to hold and strategically manage the above property.



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## Weybridge - Quadrant House (Weybridge Estate)

This estate is a mixed-use estate comprising of residential, offices and retail. All of the residential units have been let to EBC Homes who manage and let the units. The estate is a long-term strategic hold for the Council and there are a number of asset management opportunities that will be implemented over the next 1-5 years.



## 7.2 Operational Portfolio Overview

The overall aim for operational property management is to hold the minimum number of buildings and sites that will support service delivery, are fit for purpose and to ensure that the assets operate safely and efficiently. Operational property will be maintained in a state that is fit-for-purpose and wherever practical located in the best possible location.

<b>Portfolio of Assets</b>	<b>Book Value £</b>
Car Parks	22,007,191.38
Cemetery Chapels	641,701.30
Cemetery Houses	880,916.67
Community Centres	618,305.67
Community Centres	4,907,381.05
Mill Road Depot	1,353,750.00
Mill Road Business Park	1,546,075.95
Albemarle House	1,031,679.16
Civic Centre	22,947,042.88
Pavilions etc	3,644,311.50
Walton Tennis Club	230,735.70
Leisure - Other	196,751.93
Public Conveniences	149,348.63
Community Hub	753,129.71
Other - Esher Church Wall	55,441.24
Cowey Lodge	659,500.00
Public Halls	2,045,541.00
The Heart Walton	4,000,000.00
Excel Leisure Centre	16,875,870.67
Hurst Pool	1,119,274.06
STP	427,826.49
Sports Hub	11,811,491.42
	<b>97,903,266.41</b>
Infrastructure	449,512.88
Community Assets	407,817.60
Surplus Assets	3,807,603.36
	<b>102,568,200.25</b>
Heritage Assets - War Memorials	816,100.00
	<b>103,384,300.25</b>

### Centres for the Community

The Council has freehold ownership with respect to the seven Centres for the Community. Centres offer a wide range of services and activities managed by a staff team and supported by over 400 volunteers assisting both our Centres for the Community and the seven day a week Meals on Wheels Service.

Centres provide services for older people or people with learning disabilities at Cobham are open 5 days a week with Thames Ditton open 2 days a week. They are all open 7 days a week in terms of offering hiring facilities during day time, evenings and weekends.

Four years ago, the opportunity was taken to refurbish Mole Hall to provide the Molesey Centre for the Community along similar models to the Thames Ditton Centre that was refurbished some 7 years ago. These have proved to be very successful models of providing a Centre for retired people as well as a community centre for hiring.

All hiring is directly managed by Community Support Services with all hiring income received by the Council and contributes towards the Community Support Services budget.

Hersham Centre for the community was refurbished with up to date M&E aspects in 2017 and we are now working with the community to achieve the re-opening of the Hall which adjoins the centre.

### **Public Halls/ Community Facilities**

The Council's Corporate Plan is committed to providing a leisure facilities service which is accessible, socially inclusive and environmentally sustainable.

The Council owns four public halls (King Georges (see below), Vine Hall, Playhouse and Elm Grove), Places Leisure continue to manage these buildings. All these are available for public hire. Hourly rates are set and reviewed annually by the Council in line with general reviews of fees and charges. The contract expires in 2021. Members have already agreed not to include the Halls in the Leisure contract beyond expiry. Officers are in the process of putting together a strategy for the remaining halls which will be reported to Council in due course. Please note that King Georges Hall, is owned by King Georges Hall Trust (KGHT) and The Council holds the trust's property as custodian trustee. When Places Leisure contract expires in 2021, the management will revert back to KGHT.

Ansell Hall and the land it stands on forms part of the final phase of the redevelopment by Paragon Housing of the Oakbank Avenue area. A planning application has been submitted for 10 Affordable Housing units. EBC have worked in partnership with Paragon to provide the land that Ansell Hall stood on and will retain a level of a community hall the strategy of how this will be managed and maintained is under discussion

### **Leisure Facilities**

There are numerous sports/leisure facilities within the Borough, consisting mainly of recreational open space with ancillary pavilions, clubhouses and the like. Some are let to individual clubs, such as cricket, bowls, rugby, etc; rental levels are low reflecting their recreational use.

AMPS work in partnership with its Leisure colleagues to maintain and improve the Boroughs leisure facilities, include maintaining their car parks and pavilions and managing the sports clubs.

The Xcel Sports Hub and Hurst Pool continue to offer superb facilities to the community, with the addition of the synthetic turf pitch and pavilion at Xcel the facilities offered by the Council are unrivalled in the borough. These facilities are maintained by Places Leisure Management under a 15-year contract which expires August 2021. AMPS will assist its Leisure colleagues with the retendering of the contract.

Officers continue to educate clubs as to the importance of pursuing commercial opportunities in order to raise revenues and ensure medium/long term affordability in terms of rental. Dual use is encouraged in sports facility buildings, nursery education being a particularly attractive option where respective hours of use dovetail easily. 'User' clauses within leases maintain Council control and ensure that suitable complementary uses are achieved.

The Council endeavours to achieve self-management of sports facilities wherever possible and appropriate. In many cases, minimising costs incurred on grounds maintenance is more important than maximising rental income in negotiations for tenancy agreements. Self-management is achieved with varying degrees of success; much depends on the status of the club. Examples of successful self-management and leases are Allotments, Bowls clubs and scout huts.

## **Car Parks**

The Council operates 28 pay and display car parks.

There is a small number of potentially surplus car parks. AMPS are currently reviewing alternative options for these sites taking into account all other relevant council policies.

Car Parks are valued on an annual basis in accordance with RICS Red Book and on an existing use valuation basis.

## **Council Owned Residential Property**

The Council owns a number of residential properties. There are two flats at 32-34 High Street, Cobham and two flats at 21 High Street Weybridge, which are leased to EBC Homes Limited on a 5 year basis.

Weybridge Hall and Albermarle House will be used for temporary accommodation for the homeless which is a statutory requirement for the Council.

The Weybridge Estate provides 37 residential units both private and affordable which are leased to EBC Homes Limited by way of a 21 year lease.

### Long Ditton Cemetery

A detached residential property held under a service tenancy agreement in connection with cemetery upkeep/custody.

### Burvale Cemetery

A detached residential property held under a housing act for 5 years

### Elm Grove Cottage

A vacant detached house, the garden is being used by Stage Coach for nursery education. This will be incorporated in the Elm Grove masterplan.

## **Civic Centre**

The Civic Centre, owned freehold by EBC and built in 1992, offers 63,650 sq.ft of open plan accommodation. Parts of the building have been let to Surrey County Council, Surrey Police Authority and Elly's Catering.

There is a need to create a public hub working closely with Surrey Police, Citizens Advice Bureau, Surrey County Council, but ensure EBC staff and members are still content with the environment, whilst exploring further opportunities to increase revenue.

Civic Centre Strategy - AMPS are working towards an RICS best practice Service Charge regime for the Civic Centre which will be deliverable once we know the aims and objectives of our partnering organisations along with our own office space needs. Further information can be found in **Appendix D**.

To continue to develop the Accommodation Strategy to free up space within the Civic Centre for other Partners. Accommodation Strategy will be written in due course.

This Accommodation Strategy will be on the basis that the Civic Centre building be utilised as intensively as possible, and the primary use of the building will be as a

Community/Public Service Hub, in order to provide public services in the Borough, although there may be opportunities for more commercial property transactions.

### **Surplus Vacant Property**

#### Molesey (former) Sewage Works

This 16-acre site comprises open land with part (8 acres) identified within the Local Plan for housing. There is serious land contamination (including methane), detailed reports need to be prepared by specialist engineers and the cost is prohibitive and the problems complex. The matter is on hold.

#### Pleasant Place Bungalow

Vacant residential property and horticultural land. The property has restrictions and covenants which hinder the ability to release and whilst it has been deemed surplus to Council requirements we are still looking at various options for the site.

#### Council Owned Land Available for Development

Following consideration of the service delivery needs of the Council and the need to make best use of our assets and maximise resources. The Local Plan Consultation which as of August 2019 is ongoing will inform and identify land for redevelopment.

### **7.3 Some Recent Successes**

Since the last AMP the Council has been active in the management of the Councils portfolio and major highlights are as follows:

- Sale of Stompond Lane Sports ground which enabled us to deliver a state-of-the-art Sport Hub for the local community to enable participation in sport at no cost to the tax payer. Stompond Lane has also provided 9 affordable units, which have been developed.
- Sale of the former British Legion site in Hersham which delivered 8 affordable units 5 retained by Paragon and 3 to Transform Housing all of which give rented provision.
- Albemarle House was bought and converted to 5 temporary housing units.
- Re-opening of Lower Green Community Centre.
- Following the fire at Claygate Pavilion a Development Agreement has been put in place to enable to Trust to deliver an enhanced provision for the Community.
- A mixed sector portfolio gives the Council a constant revenue stream.
- Planning Permission obtained for Weybridge Hall for D1 use and 5 residential temporary accommodation units.
- Capital projects in excess of £3M which have enhanced service delivery or been instrumental to delivering the communities infrastructure needs including: -
  1. Drewitts Court Car Park
  2. Surbiton Hockey Club car park
  3. Ashley Park Car Park Walton on Thames
  4. Cobham Centre for the Community Car Park
  5. North Heath Weybridge pay and display car park
  6. Graburn Way Molesey car park
  7. Thames Ditton Community Café
  8. Civic Centre demolition of Pest Store and creation of car parking at the Civic Centre
  9. Move of Community Transport to Lower Green

10. Lift Refurbishment at Civic Centre
11. Civic Centre washrooms
12. Members Room refurbishment
13. Office moves including reconfiguration of OD, Planning and ICT
14. New footbridge known as Nielson Bridge, Molesey
15. Cobham Hollyhedge Car Park
16. Thames Ditton Café at the Thames Ditton Centre for the Community
17. Men in Shed at Thames Ditton
18. Cobham Link at the Centre for the Community
19. Civic Centre boundary wall repair
20. APC delivered at Brooklands, Sadlers Rise and Hersham Splash Park
21. Refurbished brick built Public Conveniences

- Purchase of Weybridge Estate a mixed portfolio of residential and commercial which enabled us to deliver much needed affordable rental residential accommodation
- Delivery of Public Convenience Strategy
- Buying and delivery of bespoke asset management software to ensure optimum performance of the Council's Portfolio

## **8. THE CORPORATE PROPERTY STRATEGY AND PLAN**

### **8.1 Other Influences**

Elmbridge Borough Council's Property Strategy and Plan takes into account many other influences both from inside the Council and from outside, e.g. key stakeholders such as Surrey County Council, Police, CCG, Elmbridge Housing Trust, etc.

Other Elmbridge Borough Council strategies, policies and regulations influencing the approach to asset Strategy and Planning. All strategies are available to view on the EBC website unless otherwise stated. They are primarily:

- Council Plan 2019/2020 – includes the Council Vision and Priorities
- Budget and Medium Term Financial Strategy - 2019/20-2022/3 approved Feb 2019
- Procurement Strategy – last review August 2013 - currently being updated.
- Local Development scheme for 2018-2021 – produced Oct 2018
- Local plan – new plan is for it to be submitted for review by the Inspectorate in March 2020
- Property Acquisition and Investment Strategy (**see Appendix A**)
- Acquisition and Disposal Policy (**see Appendix B**)
- Voluntary, Elmbridge Everyday Physical Activity Strategy and Community Sector Strategy (**see Appendix C**)

### **8.2 Surrey Collaboration Project**

Elmbridge Borough Council is part of the Surrey Collaboration Project, which aims are to improve procurement of contractor services within the borough. Other partners include Surrey County Council, Surrey Police and other Surrey Districts.

### **8.3 Cross Service, Shared Use and Co-Location**

The Council has sought to maximise use of its property assets through cross-service use, shared use and co-location. This has included, for example, the letting of surplus accommodation at the Civic Centre to Surrey County Council and Surrey Police. The

Council has developed a Business Continuity Plan, within which operations currently undertaken at the Civic Centre could be transferred to other property within the Council's ownership in the event that the Civic Centre was unavailable for use. Cobham and Claygate Centres have been developed as emergency second sites, including cabling at Cobham. Some provision has also been made within the Xcel Leisure Complex.

#### **8.4 Partnership and Community Working**

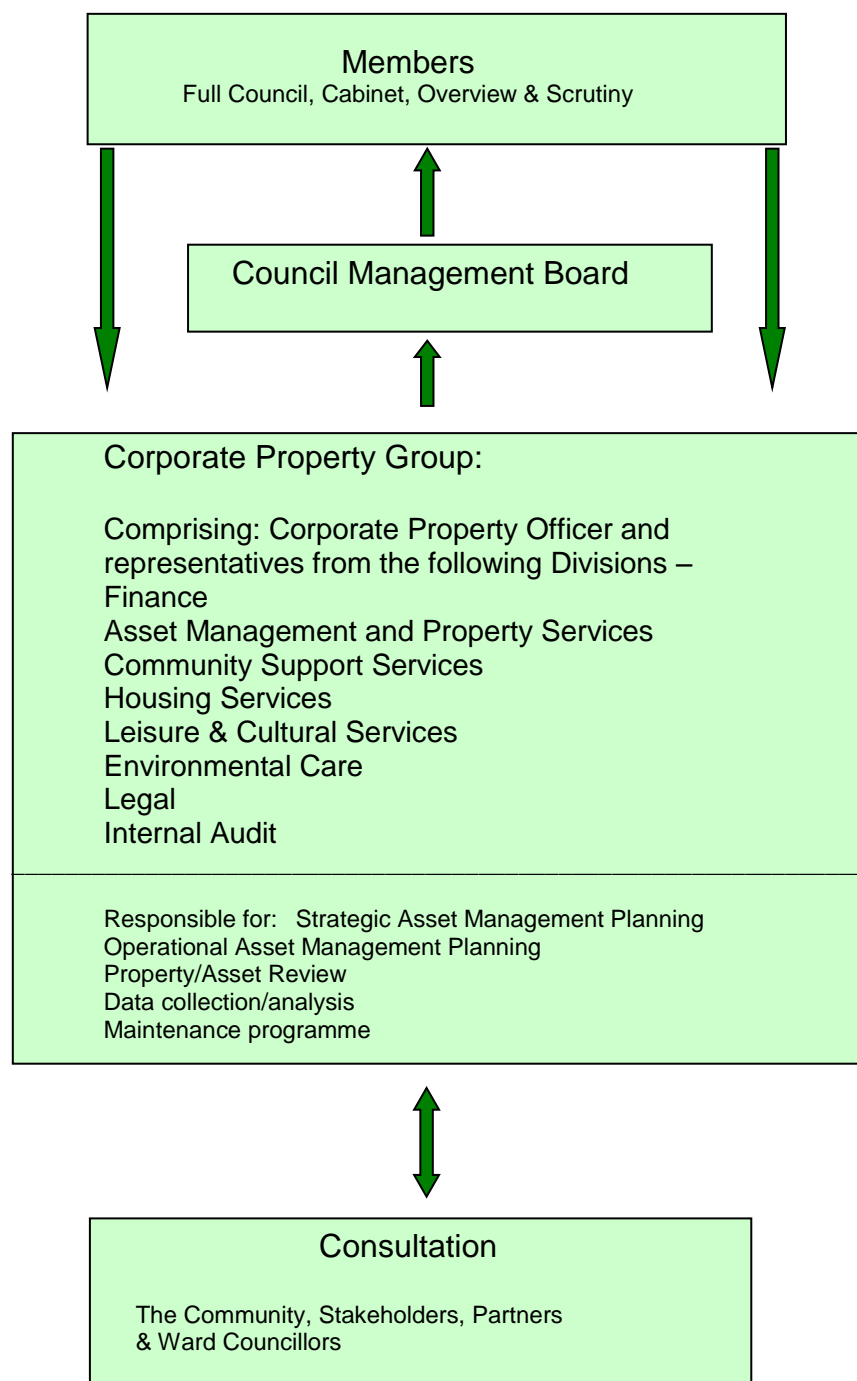
EBC is developing a strategic approach to working with others e.g. community groups, and to identify opportunities for shared use of assets along with alternative options for management and ownerships of assets to derive better value for money and wider community benefits. The Voluntary Community Asset Transfer Strategy attached to this document covers this in greater detail.

The Community Hub has been a success story, a building owned and refurbished by EBC and let to four third sector organisations plus Surrey Police.

Surrey Police have been tenants within the Civic Centre since May 2012 this has not only increased revenue income but has also seen positive cross partnership working between the Police and EBC.

#### **8.5 How do Officers Comply with the Constitution**

The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that they are efficient, transparent and accountable to local people. The Cabinet, which is made up of the Leader and nine other councillors, are responsible for most day-to-day decisions. The decision-making process for the Asset Management and Property Services Division is detailed over the page:



## 8.6 Corporate Management

The Council has an appointed Cabinet Member for 'Resources' with the following included within his portfolio:

Sound management of the Council's property assets and asset management processes;

Participation in the development of the Corporate Plan and Community Strategy;

Individual Cabinet Member Decision Making within certain limits in relation to property issues.

The Corporate Property Officer contributes to the work of corporate business planning through:

- chairing the Corporate Property Group;
- reporting regularly to the Cabinet Member responsible for 'Resources';
- attending and providing advice at Cabinet meetings;
- participation in project steering groups, e.g. in relation to the Disability Discrimination Act (DDA) requirements; and;
- Advising the Council Management Board and the Management Forum on the Asset Management Plan (AMP) and associated planning processes and receiving feedback on how corporate objectives can be built into the AMP.

## **8.7 Corporate Property Group**

The Corporate Property Group (CPG) comprises Divisional Heads drawn from across the Council, each having a specific interest in, and service responsibility for, various aspects of property management, value for money, performance management and sustainability. The Group meets bi-monthly. Reports and recommendations from the CPG are directed to the Council Management Board and (as appropriate) on to the Cabinet. The CPG membership consists of the Head of Asset Management and Property Services, Head of Finance, Head of Leisure and Cultural Services, Head of Environmental Care, Head of Building Control, Head of Community Support Services, Head of Housing Services and the Senior Surveyor. Internal Audit will attend the group on an ad hoc basis.

The Objectives of the Corporate Property Group are to:

- Develop a corporate strategy for the Council's property assets;
- Ensure that the Asset Management Plan is informed and supported by key corporate objectives and service plans;
- Identify and provide data required to manage the performance of the Council's property portfolio;
- Recommend a programme for property review;
- Recommend an assets disposals programme;
- Monitor progress of capital programme projects and evaluate projects post-completion;
- Recommend an annual programme of works in accordance with needs and requirements identified by the property condition survey;
- Report annually on the performance of the Council's property portfolio; and
- Progress and update annually the Asset Management Plan for approval by the Council.

## **8.8 Corporate Property Officer**

The Council's Corporate Property Officer is the Head of Asset Management and Property Services, who has the following roles and responsibilities, these having been agreed by full Council.

Roles & Responsibilities will include:

- Chair the Corporate Property Group.
- Lead in the formulation of the Asset Management Plan and identify a strategy for property assets.
- Assist service heads in a programme of property review and in the identification of property requirements, having regard to the aims and objectives of the Council.
- Consider property implications of the Value for Money process, Community Strategy and Corporate Plan and report accordingly.
- Develop and maintain data and performance management systems through the Asset Management Plan process.
- Advise Members (Council, Cabinet, and Overview and Scrutiny Committees) and officers on all property related matters in particular the Portfolio Holder for Resources.
- Manage the Council's property/estates portfolio, including lease renewals, rent reviews, new lettings, acquisition and disposal of land and property, property appraisals and asset valuations.
- Public and private sector liaison in order to achieve partnership working.

The roles and responsibilities of the Corporate Property Officer have been considered and agreed by the Corporate Property Group (CPG) and CPG members have briefed their staff where appropriate. The role of the Corporate Property Officer has also been introduced in the Council's partnership dealings and user group dialogue.

The Corporate Property Officer reports to and is accountable to the:

- Corporate Property Group;
- Cabinet Portfolio Holder for Resources;
- Council Management Board (CMB), as appropriate;
- Cabinet and Council, as appropriate.

## **8.9 Corporate Objectives and Interaction with Property**

In order to meet corporate objectives, the Council's operational property portfolio must meet certain basic requirements, which include being:

Maintained in good condition to ensure that service provision is delivered from a sound environment for both staff and customers, and thereby conveying a positive image of the Council;

Sited in appropriate locations;

Of sufficient and suitable size and layout (including ensuring access by people with disabilities);

Flexible, to the extent that it can be adapted economically to adjust to changing service needs and accommodate partners in service delivery;

Able to demonstrate 'Value for Money' in terms of a balance between efficiency, effectiveness and economy in operation, running costs and sustainability.

In relation to non-operational assets, these must:

Be able to make an appropriate contribution to revenue budgets in terms of rental income; or alternatively;

Make a positive contribution to the social wellbeing of the community or be of strategic importance.

"Make a positive contribution towards reducing the Council's carbon emissions in line with the Council's Declaration of a Climate Emergency.

## **PROPERTY ACQUISITION AND INVESTMENT STRATEGY**

### **1 Introduction**

There is increasing pressure being applied on the public sector to strategically manage and operate their property assets and to think corporately about property investment decisions. At the same time, there is continuing pressure to provide better local services and raise standards whilst operating under financial constraints. Strategic Asset Management is at the heart of achieving and delivering efficiency in the public sector whilst also meeting performance targets.

Asset management is a key part of business planning that connects strategic level decisions within the organisation, the deployment of its assets and its future investment requirements.

At its simplest property is an investment in a piece of land or a building giving the investor a return as rental income and /or capital growth. Capital growth may come through holding the asset and /or be driven by asset management initiatives and development.

The purpose of this strategy is to set out the following:

- The Council's objectives for acquiring property assets,
- Commentary on the economic climate, the property market, and property acquisition including possible risks for the Council,
- The existing strategic framework into which asset acquisition fits,
- Criteria for asset acquisition, and
- The acquisition process and the protocol to follow.

### **2 The Council's Objectives for Property Acquisition**

With the decline in Grant funding and uncertainties about future funding levels, it is the Council's aspiration to become more financially resilient, so that the Council is less dependent on funding from Central Government. It was the Council's aspiration to become financially independent of Government Grant by 2020, by property acquisitions or developments and other income sources. The Council has made steady progress towards achieving this target, with over £ 90 million invested in property acquisitions with significant levels of income.

The Council has undertaken a number of acquisitions since 2012 which have significantly grown its portfolio of properties. A rigorous assessment of every asset is undertaken prior to investment. Property Acquisitions, to date, have generated significant income for the General Fund, which supports the provision of Council services.

The Council has stated its desire to acquire property for the long-term, which reflects the Council's objective to acquire property for increased financial resilience and the overall economic wellbeing of the borough. It is also recommended to grow its portfolio slowly and incrementally, with a variety of assets to spread sector risk, in line with its overall relatively low risk approach to acquisition. This is the best way of securing longer-term stability for service delivery.

The Council's vision and priorities are, where possible, to focus on the economic development and facilitate economic growth including improved infrastructure and housing

which will also support the local plan. This acquisition supports this vision and enables the Council to continue to protect vital services.

### **3 Purpose of an Acquisition Strategy**

To ensure that there is a consistency of approach involving appropriately qualified officers, it is appropriate that the Council has a formal Acquisition Strategy in addition to the Asset Management Plan.

The Council in its Property Acquisition and Investment Strategy has stated its desire to acquire property for the long term for increased financial resilience and the overall economic wellbeing of the Borough. The Strategy also recommended that the Property Portfolio should be grown incrementally, with a variety of assets in order to spread sector risk in line with its overall low risk approach to property acquisition.

#### **3.1 Definition of an Acquisition**

This strategy will apply to all acquisitions of land and property and for this strategy; an acquisition is defined as acquiring a legal interest in land and property the taking of a freehold, leasehold or license in land and property for investment purposes.

#### **3.2 Statutory Powers for an Acquisition**

The Local Government Act 1972 allows the Council powers to acquire any property or rights which facilitates, or is conducive or incidental to, the discharge of any of its functions.

### **4. Property Acquisition for the Council**

The Council's renewed focus on economic development and supporting a vital and vibrant local economy includes measures to maintain and increase confidence through direct property acquisitions. The Council's actions in spreading its own incremental investment decisions across different parts of the Borough and in supporting the local retail and business sector demonstrates the importance of both in Elmbridge for jobs and economic growth.

In addition to the Investment properties acquired since 2012, the Council has an existing non-operational portfolio of predominately industrial properties. It is pragmatic to look at the Council's overall exposure to commercial property and to consider the decisions that increase or decrease that exposure, and those surrounding the management of those assets, together. It is likely that synergies may come from acquiring assets, which have physical proximity to existing assets, or perhaps from the marriage value of merging legal interests, and certainly from the positive management of the entire portfolio. Acquiring property can also have a regeneration investment effect and support areas of decline.

#### **4.1 Possible Risks for the Council**

Risks and returns in property investment come both at a market level and from individual asset choice. At an individual asset level, there are specific risks and opportunities. The Property Portfolio Manager has the opportunity to add value through initiatives to improve buildings and manage tenants. Asset specific events, such as the loss of a significant tenant illustrate the risks at an asset level.

- Acquisition Risk – the property market fluctuates, with less institutional activity due to Brexit and other changes in economy but has signs of increased competitive activity from smaller property companies. This means it is highly likely that the Council will be one of several bidders for any good-quality assets available in the Borough.

- Due to the nature of the property market, decisions may need to be taken quickly to put offers forward. Of course, offers can be subject to conditions and due diligence before proceeding to instructing legal advisors.
- Cost Risk – Abortive costs, including legal costs, survey fees, officer time, all may be incurred in abortive transactions including costs for initial feasibility investigations.
- Lack of suitable sites/buildings – Elmbridge’s property market is restricted and is dominated by secondary or tertiary assets that may not be of the quality the Council would acquire. There may therefore be a shortage of suitable stock in the Borough.
- Property market risk – property is an inherently riskier asset than other asset classes because of its physical characteristics, which need to be managed and maintained. This is ideally compensated by increased returns. However, the property market is not a certain market and the Council may not achieve its target returns if market conditions significantly worsen.
- Many investment transactions happen prior to ever coming to the market. Information is key and getting to know about properties for sale is important, this can be done through contacting property owners and agents in the Borough proactively.
- A thorough legal and practical due diligence process will help to mitigate these and other, property-specific, risks. The Council must robustly evaluate risks of acquisition on each occasion to act in the best interests of its Council taxpayers.

## **4.2 Strategic Framework for Acquiring Assets**

To provide a foundation for the Council’s firm resolve to acquire property its approach must obviously accord with the existing strategic framework and be within the Council’s statutory powers.

## **4.3 Existing Holdings**

The Council’s land and property holdings currently include Investment properties and operational assets comprising Centres for the Community, Leisure Centres, Sports Hub, Civic Centre, public toilets, car parks, some non-operational sites and some miscellaneous small land holdings retained for strategic or community reasons.

## **4.4 Purpose of acquiring property**

The principal reasons for acquisition are to secure the economic wellbeing of the Borough and benefit from a financial return for the Council. Acquisition of property assets is a direct way of influencing regeneration and potentially the economic development of an area. While it can be undertaken to extend service delivery and improve the “reach” into the community, acquisition of assets can also have a financial ‘future-proofing’ effect, underpinning financial security for the Council by providing an income independent of Government funding or Council Tax revenues to fund activities.

## **4.5 The Council’s existing strategic framework**

One of the key objectives of the Medium-Term Financial Strategy is:

- To generate additional capital receipts and revenue income to support the objectives of the Corporate Strategy.

The Strategy’s key principles include “To adequately maintain and, where possible, enhance the Borough’s capital assets, guided through capital and asset management strategies.”

The aim is to ensure a balanced approach, optimising commercial investments in order to maintain public services, while mitigating the risks of innovative commercial activities and protecting the Council's reputation.

Contribution to economic development and town centres is recognised as important as well as any commercial activity being fully aligned with priority outcomes. In selecting assets for acquisition, the Council may choose to focus on those that would generate a regular revenue stream, increasing employment or encouraging redevelopment within the Borough.

Asset acquisition is referred to within the Asset Management Plan. Assets bought as part of this strategy will be counted as 'capital expenditure' for accounting purposes and because of that, disposals will need to be accounted for as capital receipts.

The relaxation of the Capital Finance Regulations in 2004 to allow Prudential Borrowing provides a wide range of potential options for funding and delivery including straightforward debt finance through the Public Works Loan Board (PWLB) or commercially from the market; developer lease finance or more complex structures including PFI, PPP, specialist structure finance and packaged solutions such as Local Asset Backed Vehicles (LABV).

The Council raises loans from the PWLB, where necessary, to meet strategic objectives which includes the purchase of commercial/residential properties for regeneration, housing and investment purposes.

Although the Council is able to set a borrowing limit it judges to be appropriate, it clearly needs to be prudent and affordable. Importantly, we need to consider carefully the impact of increasing levels of debt, our ability to repay, minimise liquidity risk and the risk of increasing interest rates for those repayments.

In addition to the borrowing costs it will be necessary to bring in managing agents to manage the portfolio. The managing agents will deal with the day to day aspects of the property including collecting rent and service charge from the tenants. The asset management and enhancement of the estate including undertaking rent reviews, marketing of vacant units, lease renewals will be undertaken in-house by the Asset Management team or by using external expertise as and when required. Sufficient budgets will need to be set aside from the rents for this purpose.

A sinking fund is an amount of money which is set aside to cover any major work which is needed on a property in the future. As the Council increases its Investment property portfolio and as Assets age, it is essential that a sinking fund is established to meet any major works required in the properties. Industry recommendation is that between 5 % and 10% of gross rent is set aside annually for this purpose.

## **5. The Acquisition Criteria**

### **5.1 Funds for the acquisition of assets**

It is recommended that an earmarked reserve (Asset Acquisition Fund) of up to £3 million be created from the unallocated sums of New Homes Bonus received and from the sums to be received over the next few years so that any financing and one-off costs of Acquisitions can be funded. Proposals need to be developed based on borrowing for capital acquisitions which promote or improve either the economic, social or environmental well-being of an area and for which there is a suitable commercial case, including being self-funding in the long term, and a risk assessment.

The Asset Acquisition Fund can meet the borrowing costs until a sustainable income stream from the asset is achieved if required.

The following criteria will be used to make decisions as to the use of the acquisition Fund:

- Acquisition to be within the Borough boundary;
- Acquisition will enable the Council to be proactive in the property market to assist in strengthening the Borough's economy;
- There are measurable benefits (in addition to financial) within a maximum period of 15/20 years;
- Compliance with rules on capital financing;
- Acquisition may involve partnering arrangements;
- Acquisition will consolidate the Council's existing land holding portfolio to facilitate larger developments;
- Acquisition will assist in the modernisation of the Borough's business infrastructure and/or encouraging inward investment, re-location and business start-up within the Borough;
- Acquisition is not in conflict with strategic planning policies;
- Financial benefits whereby future income or sales are used to replenish the Reserve to achieve a "Revolving" Fund;
- Acquisition will not increase the Council's on-going revenue costs in the longer term;
- Acquisition type; Good quality commercial property in traditional sectors, i.e. retail, office and industrial;
- Return of at least 2% above borrowing costs bearing in mind there will be exceptions depending on future potential;
- Security; Medium to long-term strategy – Acquisitions should normally be pre-let to tenants of good covenant on fully repairing and insuring terms, with an unexpired term of at least 5 years;
- Each investment will have to be looked at on its own merit; and
- Strategic value; Where a property has strategic value to the Council, some of the above criteria may be relaxed e.g. land capable of development or required to enable development.

### The Process of Acquiring Assets

The Council's present approach involves actively looking for acquisition opportunities and investigating opportunities presented by selling agents who bring potentially suitable properties to the Council's attention. There are inadequate resources in-house for investigating in detail the acquisition of suitable properties and the Council will appoint external advisers to assist in this process through its usual procurement procedures.

## **6. Procedure**

In all cases where the acquisition of an interest in land and property is being considered by the Council that will materially affect the Council's Asset base, then the acquisition must be carried out and negotiated by the Asset Management Team. All valuations must be carried out or verified by a fully qualified member of the Royal Institution of Chartered Surveyors with sufficient current local knowledge of the particular market, and the skills and understanding necessary to undertake/verify the valuation competently.

### **6.1 Acquisition Process**

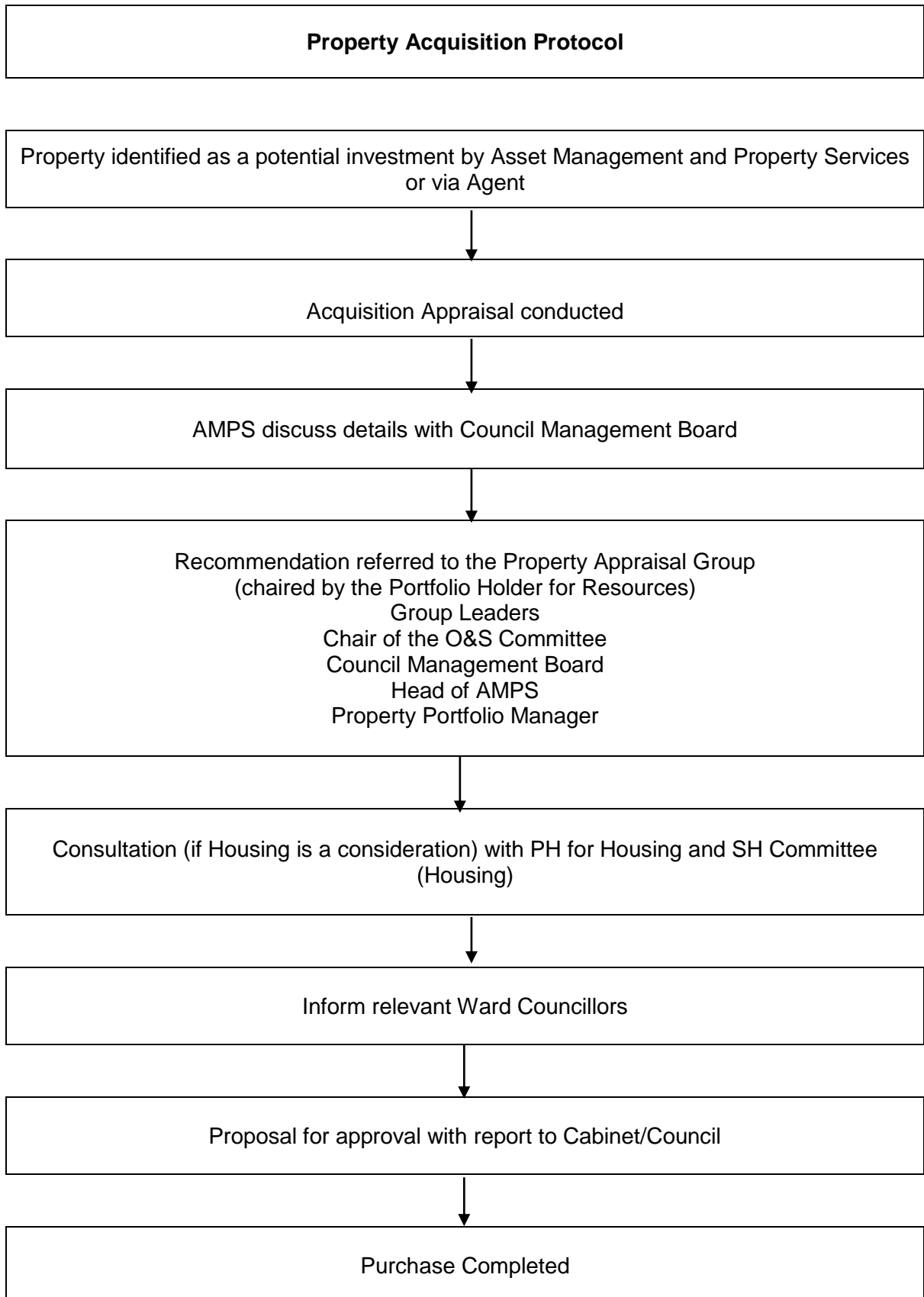
All acquisitions will be carried out in accordance with rules laid down by the relevant professional bodies, Statute and Case Law. In addition, each element of the acquisition must be carried out in strict compliance with all relevant Public Sector and Local Government Legislation, Statutory Instruments, Government Circulars, and existing Council procedures, policies and the Constitution.

To ensure that good investments are not lost through delays in the process, it was agreed that a Property Appraisal Group (PAG) be established consisting of members and officers to consider any recommendations put forward by Head of AMPS and Council Management Board (CMB). The Property Appraisal Group will be chaired by the Portfolio Holder for Resources and consist of Group Leaders, Chair of the O&S Committee, Council Management Board and officers from Asset Management. A quorum of at least three members will be required to conduct business.

When a property is identified as a potential investment, the Property Acquisition Protocol will be followed. Asset Management and Property Services (AMPS) will discuss details with the Council Management Board and conduct an acquisition appraisal for the property. Following the appraisal recommendations will be made to the Property Appraisal Group for their consideration. In the meantime, officers from Asset Management will negotiate terms and conditions for an acquisition and liaise with the PAG throughout the process. Once agreement has been reached Asset Management will prepare a report for Cabinet to obtain authority to proceed. If Cabinet /Council approval is obtained, then Asset Management will instruct Legal Services to proceed with formalising the acquisition. Instructions will include all necessary plans and details of any special arrangements necessary. Officers from Finance and Legal will assist Asset Management throughout the process until completion.

Should the property being considered has the potential for Housing, then the Portfolio Holder for Housing and the Shareholder Committee (Housing) will be consulted.

It should be recognised that in some instances, officers will have to state an expression of interest or make a conditional offer on acquisitions where time is limited. This will be after consultation with the Portfolio Holder for Resources and in line with the agreed principles. Any final offers will be subject to support from the Property Appraisal Group and ultimately the Council.



## **Acquisition and Disposal Policy**

Policy for Disposal of Surplus or Under Used Council Owned Property or Land and the Achievement of Affordable Housing

### **Introduction**

This policy statement sets out the approach and procedure to be adopted in connection with the disposal of all surplus/under-utilised property and land, including open space land within the Council's ownership.

This policy statement re-affirms the Council's commitment to enabling the provision of additional affordable housing through the disposal of its land and assets for this purpose and confirms the general presumption that all surplus sites which are considered suitable in planning terms for residential use will be made available for 100% affordable housing, unless agreed by exception.

The term "affordable housing" includes not only accommodation let at social rents or affordable rents, but also includes intermediate tenures, such as shared-ownership and shared-equity and, aimed at working households who are unable to afford to buy or rent on the open market locally. As such affordable housing can provide for a range of household types and income groups.

### **Definition of Surplus/Under-utilised property or land**

- A site/property/piece of land will be deemed surplus to the Council's requirements if:
- It makes no contribution to the delivery of the Council's services nor generates any income, and it has limited potential for future service delivery or strategic or regeneration/redevelopment purposes; or
- An alternative site has been identified which would achieve a more cost-effective service delivery and the existing site has no potential for future alternative service delivery or strategic or regeneration/redevelopment purposes; or
- Disposal will enable the Council to achieve its corporate objectives, one of the most important being the promotion of Affordable Housing or
- If an area of open space was developed there would be no deficit of this type of open space in that particular area of the Borough (i.e. it is covered by the catchment of another area of open space of the same designation or an open space of another designation, also in the same catchment area, can supply a similar function (i.e. a park and garden that has an informal kickabout area can also provide an amenity green space function).

A site is deemed to be under-used if either:

- The income being generated from the site is below that which could be achieved from one or more of the following:
- An alternative use\*
- Disposing of the site and investing the income
- Intensifying the existing use or
- Part of the site is vacant and is likely to remain vacant for the foreseeable future.

\* Packaging of sites. Each case will need to be looked at in its entirety if in a multi-locational situation. There will be examples in the operational estate where any use is more beneficial than a community use, but if the Community needs to be continued, then this will take precedent.

NB where an under-used asset is generating an income, a cost/benefit analysis will be needed to be undertaken in consultation with the Strategic Director of Resources and the Head of Finance to establish the feasibility of the proposed project.

### **Decision Making and consultation with relevant Committees/Boards**

All decisions relating to disposals should be properly made, in accordance with this policy or, where agreed, by exception to it by reference to the reasons for departure from it.

Decisions are likely in three stages, as follows.

#### **Stage 1: In-principle approval to dispose**

A disposal recommendation will usually originate from the Corporate Property Group and will initially be considered by the Council's Council Management Board (CMB). In the event of these recommendations being agreed by CMB and following consultation with local ward councillors, a report will be prepared to Cabinet, ICMDM or relevant Committee is appropriate to seek either Council authority to dispose of the site/asset or Council approval to proceed in-principle with the disposal. In some cases, the disposal can be dealt with by way of delegated authority. If disposals fall within the delegation powers and it is deemed not appropriate to refer the matter to Committee then the relevant consultations will be carried out in accordance with the delegation.

#### **Stage 2: Pre-tender preparations**

Where the Cabinet or relevant decision-making body has agreed in-principle to dispose of a site for affordable housing and assuming that the site is suitable for disposal via a comprehensive tendering route, officers will then draw up a development brief and evaluation framework to form part of an invitation to tender. The Affordable & Social Housing Member Working Group (ASHMWG) will be asked to consider both the brief and framework and make recommendations to Cabinet about both. The recommendations of the ASHMWG will be incorporated into any subsequent report to Cabinet, ICMDM or relevant Committee is required to agree-in-principle to proceed with the disposal.

#### **Stage 3: Evaluation and final approval to dispose**

Any tender submissions received for affordable housing schemes will be assessed against the evaluation criteria agreed beforehand and which had been included in the invitation to tender. This evaluation will be undertaken by the relevant Officers or through a Member Officer Group set up for this purpose.

Upon completion of the evaluation stage, a report will be prepared seeking approval to dispose of the site to the successful tenderer. Depending on the Council's standing orders and financial regulations, authority to agree to the recommendations within the report will either be delegated to Officers or will rest with Cabinet or full Council.

### **Site Identification**

Sites for possible disposal may be identified in the following ways, through:

- strategic asset realisation work undertaken by the Corporate Property Officer and Corporate Property Group;
- Local Plan designation or included on Brownfield Register;

- Directors/Services Heads declaring sites being surplus to requirements;
- identifying previously unidentified surplus land from the Land Registry Searches and audits (i.e. open space audit) and regular property reviews; and
- Site assessment and potential use.

Once potential surplus site/land/property has been identified the Corporate Property Officer will consult with all departments (legal, planning, environmental health etc) to ascertain whether there are any constraints which may impact on future use or on disposal for example to identify contaminated land or restrictive covenants.

Consultation with the Highways authority may also be necessary.

Unless a site is already designated for a specific use in the Local Development Framework, advice will be sought from Planning Services as to which of the following land uses would be appropriate to the site, in accordance with planning policy:

- Residential
- Commercial
- Leisure/Community
- A combination of the above (i.e. mixed-use)

In addition, informal advice should be sought on the development potential of the site, including the scale, capacity and density of development that could planning constraints and opportunities relating to the site, the key policies that apply to the site and what indicative capacity and density of development could be accommodated.

This may involve liaising with Members and/or the community as appropriate for the most appropriate type of development for the site.

### **Disposals for Residential Use**

In accordance with the Council's Housing & Homelessness Strategy, which is under review at the time of writing, it is vitally important that the Council maximises the provision of affordable housing in all its disposals.

Unless otherwise agreed there will be a presumption that any sites deemed suitable for residential use will be made available, wholly (100%), for affordable housing.

### **Disposals for Residential Use with less than 100% affordable housing**

There may be sites or instances, where, following careful consideration, a lesser proportion of affordable housing is justified, for one or more of the following reasons:

- Poor proximity to transport routes, local services and local amenities
- Unusual site conditions.
- It is not financially viable for a Registered Provider, or other developer, to deliver a 100% affordable housing scheme due to site constraints, planning, contamination etc.
- The Council has previously formally identified the site for another purpose.
- There is a pre-established minimum receipt requirement applying to the site and it is considered that this level of receipt cannot be delivered through a 100% affordable housing scheme.
- On larger sites, the Council, in wishing to foster, sustainable communities, may wish to support the development of mixed-tenure schemes, comprising both market and affordable housing. That said, 100% affordable housing schemes, can, by providing a mix of social rented and intermediate tenures and property sizes, meet

the needs of different income groups and household types and provide a balanced community.

In all instances the achievement of an alternative key objective would be required to justify a departure from the 100% presumption and in all cases the % of affordable homes to be developed should be maximised as far as possible.

Where a departure occurs from the 100% presumption for reasons other than the need to generate a minimum receipt, a proportion of the net receipt will be paid into the Council's Affordable Housing Fund. Such a payment could be in direct proportion to the proportion of market housing developed on the site for residential development.

As a minimum, where a site is not to be disposed of wholly (100%) for affordable housing, any residential redevelopment of the site is still likely to be required to make a contribution towards affordable housing, in accordance with policy "CS 21 – Affordable Housing", as set out in the Core Strategy. Specifically, any residential scheme developed on publicly owned land would be required to deliver 50% affordable housing, unless it is demonstrated that it is not viable to do so.

### **Disposal process – Tendering process**

In most cases, sites will be disposed of through a tender process. Either a detailed development brief will be prepared which will assist the tendering process prior to any bids being invited or less detailed marketing information will be prepared containing guidance as to the local authority's expectations around the future use of the site. The need to develop a detailed development brief will be considered on a case-by-case basis, but they are only likely to be produced for sites where either the site's size, value, development potential or strategic importance warrants it. The following additional information will be provided in all cases.

In respect of affordable housing, a guide as to the preferred proportion of each type and size of affordable dwellings are required on the site and the preferred tenure mix (to be derived from the Housing Needs Register, the latest Strategic Housing Market Assessment and any other information deemed relevant by Housing Services).

In respect of affordable housing, details on the likely availability or otherwise of public subsidy.

An outline of the evaluation framework which sets out the factors to be taken into account by the Council in assessing the tenders. This will illustrate the relative weighting to be attached to each factor in the assessment process.

### **Value/Price**

In some cases where a disposal is going to deliver much needed affordable housing, this may require a site to be disposed of at nil value, for a discounted market value or via an exchange of land in accordance with Voluntary Community Asset Transfer (VCS) attached as a strategy document. The results of this assessment will need to be considered against the requirements of Section 123 of the Local Government Act 1972 (see below).

In other cases, a minimum receipt may be required from the disposal. This will provide additional assurance of the site's value (though provision should be made in the terms of the contract for a share in any development value uplift should the purchaser secure planning permission for a more valuable scheme) which is generally known as 'overage'. 'Overage' clauses would not generally be included in contracts relating to sites being disposed of for 100% affordable housing.

Where the disposal of a major or complex site is being considered, independent valuation advice will be sought.

### **Section 123 Local Government Act**

In the case of public open space land, once the use has been ascertained, the Council will need to advertise for 2 weeks in the local newspapers to ascertain whether or not there is public objection and dependent on the outcome of the advertisement it may be necessary to hold public consultation so that officers/members can fully explain the extent of the scheme etc.

A proposal to dispose of land or property at a price below open market value, for example, the purpose of affordable housing, may require the consent of the Secretary of State under the provisions of section 123 of the Local Government Act 1972, although such land disposals will usually be exempt if they fall within "General Consents" rules applying to any land disposal to a housing association. In order to fall within the General Consent, the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal must not exceed £2 million or as amended by the Government.

Before agreeing to proceed with any disposal for affordable housing, officers and Council will consider whether best consideration will be achieved and if not, whether a general consent applies or whether a consent needs to be applied for, in accordance with the Circular 06/03.

### **Method of Disposal**

#### **Residential including 100% Affordable housing**

The following procedure will be used on all sites for disposal, (other than those that are too small for residential, if there is a special purchaser or if the site is deemed unsuitable for housing), on a comprehensive tender basis to Registered Providers operating in Elmbridge already with a recent track-record of development in the borough (and any others agreed by Cabinet beforehand).

Preparation of an invitation to tender and evaluation framework (to cover factors such as price, quality, value for money, feasibility and strategic fit) in conjunction with the ASHMGW:

- Set a timetable and agree a decision-making process;
- Send out packs to housing association partners; and
- Evaluate bids against the framework and consult as necessary and make decision in accordance with the process agreed.

The scope of the evaluation will be influenced by the characteristics of the site and officers will seek to ensure that the amount of information sought and the evaluation framework used is proportionate to the site.

Where invitations to tender are restricted to housing associations for the purposes of providing 100% affordable housing and do not attract an acceptable offer, then the site may be offered to other parties, with the restriction of achieving 100% affordable housing having been lifted.

In the majority of cases, any disposal of Council-owned land for the delivery of affordable housing is likely to be made to a Registered Provider of social housing, there may be situations where a special purchaser is identified. An example of a special purchaser could be a community-led housing organisation, where a condition of the acquisition is a

requirement that the benefits to the local area and/or specified community are clearly defined and legally protected in perpetuity e.g. through an asset lock.

### **Non-residential**

For sites or assets which are not to be disposed for housing, the Corporate Property Officer and Corporate Property Group will recommend a marketing strategy (produced either in house, or in conjunction with estate agents, commercial agents etc). This will ensure maximum exposure to the market and that the Council obtains Best Value. All costs (including legal, marketing, consultants, works required to site) are to be included in a completion statement at the end.

This method will be followed when a site is considered to be unsuitable for disposal for housing, but where such a disposal will accord with the Council's key corporate objectives. The Corporate Property Officer with advice from the Corporate Property Group will recommend the appropriate method of disposal (e.g. Auction, Private Treaty etc) dependant on the asset in question.

The site or asset will be exposed to the market for a reasonable length of time and any potential purchasers will be given an opportunity to tender/submit an offer. Any offers received will be scrutinised by the Finance Team to ensure that the offer achieved reflects our and our advisors view of the open market value.

Where the disposal is by way of a long lease, advice from the Strategic Director – Resources will be sought with regard to VAT, Capital Controls and Treasury Management.

### **Timing**

The timing of any marketing/disposal will need to take into account:-

- Current market conditions
- The Council's budgetary requirements
- Key Corporate Objectives
- The demand for affordable housing
- Funding availability
- Potential for the site value to increase in the future
- Local planning policy
- S106 payments and community infrastructure levy

### **Negotiations**

For non-affordable housing sites, the return from any disposal is to be maximised unless there are overriding factors. The Corporate Property Officer will deal with all negotiations regarding the sale but if the offers come in at a price below open market value the matter will be referred to Directors for further consideration.

### **Instructions**

Once a purchaser has been identified and all terms of the disposal agreed Legal Services will be instructed to prepare the legal documents complying with any statutory provisions that are required. Instructions to legal will identify any special conditions on which the disposal has been agreed and these will be incorporated within the legal documents in the appropriate form (for example restrictive covenants) to protect the interest of the Council.

### **Completion**

Once the disposal has completed Members will be informed and notification to the public of the disposal through press releases, as appropriate.

## **Method of Acquisition of Land and Property**

### **Introduction**

This statement sets out the procedure to be adopted in connection with the acquisition of land and property.

### **Councils objectives for the Purchase of Land or Property**

Unless there are exceptional circumstances the Council will only acquire land or property for the following reasons:

- Its contribution towards the provision of the Councils Services (eg possible Section 106 adoption of community building).
- Economic development
- Income generation
- Strategic acquisition for development purposes

This meets with the Councils commitment to value for money i.e. ensuring an efficient and cost-effective corporate estate making best use of assets.

### **Market Research**

Once a need to acquire property has been identified, market research will be carried out by the relevant services and the Corporate Property Officer will establish whether suitable land or property is available on the market to fulfil this need.

Where a number of potentially suitable properties exist in the marketplace robust comparisons will need to be made to establish which is the most suitable for the Council's needs. Criteria against which such decisions will be made include:

- Price
- Condition of property. A full survey will be required prior to completion
- Availability (in terms of timing)
- Nature of tenure being offered
- Locational advantages (where a strategic acquisition is under consideration)
- Return on investment (where a revenue generating asset is being considered)
- Costs of purchase.

### **Financial Appraisal**

Where a suitable property has been identified, a suitable financial appraisal will be carried out to establish the budgetary/financial implications of acquiring property at the quoted asking price. The advice of the Strategic Director of Resources will be sought throughout the process. The financial appraisal will take into account the following issues:

- Capital cost of the acquisition
- Any revenue or potential revenue generated from the property in the short and long term
- Availability of external funding
- Possibility of a joint venture
- The cost in asset management terms including:- maintenance, refurbishment, demolition costs if appropriate, ongoing maintenance, life cycle costings, national non domestic rates, insurance
- Overall effect of the expenditure on the Council's budgetary position.

**Independent Valuation**

Where acquisition of a major property or site is considered complex, independent valuation advice will be sought.

**Property Appraisal Group**

Officers will meet with group leaders to discuss any potential purchases with a view to obtaining their approval to negotiate an in principal purchase prior to corporate approval.

**Negotiations**

Once the principle of the acquisition has been agreed negotiations will commence or continue with the Vendor.

## **Asset Transfers to the Voluntary Sector**

### **The Voluntary and Community Sector Strategy**

#### **Definition**

*The voluntary and community sector (VCS) is the collective name for all voluntary and community organisations, including charities, community associations and social enterprises. Voluntary organisations are non-profit driven, non-statutory, autonomous and run by people who do not get paid for running the organisation (although voluntary management committees/trustees may employ paid staff). Such organisations are sometimes also referred to as the Voluntary Community and Faith Sector (VCFS) or Third Sector.*

#### **Purpose of the Strategy**

This strategy describes the Elmbridge Borough Council's approach to Voluntary and Community Sector in respect of Asset Transfer and is in accordance with the recommendations made by the Overview and Scrutiny Task Group Reviewing the Council's approach to providing and managing community facilities.

The term 'community asset transfer' relates primarily to long-leasehold or freehold arrangements at less than best consideration to voluntary/community sector (VCS).

It is essential that EBC views the community and voluntary sector asset transfer positively for the following reasons:

#### **Benefits to the Local Community**

It is a tangible response to Big Society and devolving power to neighbourhoods in an effort to enable citizen involvement and community action.

It can contribute towards the regeneration of communities and can act as a catalyst for social, environmental and economic regeneration (including the development of community enterprise).

Changing ownership or management offers opportunities to extend the use of a building or the piece of land, increasing its value in relation to the number of people benefiting and the range of opportunities it offers.

It can stimulate the involvement of local people in shaping and regenerating their communities and can be a catalyst for local volunteering and increasing community cohesion.

The process of community and voluntary sector asset transfer can build confidence and capacity amongst the individuals involved, and can support the creation of community leaders, and inspire others to improve their community.

#### **Benefits to EBC and other Public Service Providers**

The activities that are stimulated or safeguarded by community asset transfer almost always contribute towards our objectives. Working in partnership with VCS can help EBC to achieve its outcomes set out in key place shaping strategies, including the Sustainable Community Strategy, Corporate Plan, Local Development Framework, Local Area Agreement, etc.

It can contribute towards efficiency savings (e.g. achieving revenue savings by releasing surplus property) and drive the diversification of public services in an era of austerity spending settlements for local government.

It can contribute to the EBCs objective to rationalise its estate and facilitate more effective and efficient use of its asset base, where the focus is on better services and community outcomes as a result of strategic asset management.

It can be a stimulus for partnership working between VCS, EBC and other partners and can improve the provision and accountability of services within communities (e.g. clustering service providers in community owned hubs for example Thames Ditton Intergenerational Centre).

### **Benefits to the Voluntary & Community Sector**

It has potential to create stronger, more sustainable VCS, which can create a wide range of benefits for the communities they serve. An asset can provide a VCS with financial security, recognition, and management capacity.

It can result in the creation of a new organisations (and potentially Council/VCS joint ventures) with the ability to lever in additional resources, which would be unavailable to the Council acting independently.

EBC recognises the multiple benefits of Community and Voluntary Sector Asset Transfer and EBC will try to be proactive in using asset transfer as one of the tools at its disposal, both to support the VCS and resilient and empowered communities and help meet the strategic objectives of EBC; in particular in terms of service transformation and realising efficiencies. EBC, therefore, aims to create a transparent, positive and proactive framework to enable asset transfer from the Council (and its partners) to VCS to happen and be successful in the long-term.

### **Background**

Up to 2010 much of the policy environment for asset transfer had been underpinned by the last Government's vision for 'Sustainable Communities' and empowerment.

The Quirk Report highlighted the need for community management and ownership of public assets'. Having considered the opportunities, risks and multiple benefits, the Quirk review concluded strongly in favour of local ownership and management of public assets, a position which was subsequently supported by the then Government through a number of new initiatives, including the establishment of the Asset Transfer Unit.

Whilst the Quirk review remains a legitimate touchstone for the agenda, the current operating context has changed dramatically. Reconciling a very challenging spending settlement for the Council with the Coalition Government's pronouncements on the 'Big Society' and devolving power to neighbourhoods means that the Council may increasingly need to consider asset transfer as an enabler to achieving its forthcoming corporate aims.

### **Links to EBC Strategies**

The operation of this strategy will need to have regard to the desired outcomes in EBCs strategies. In addition, all proposals for transfer must make a clear contribution to the EBCs priorities as expressed in the following:

- Sustainable Community Strategy
- Strategy for Voluntary Sector Support in Elmbridge (2011 - 2015)
- Corporate Plan
- Local Development Framework

- Corporate Asset Management Plan
- Capital Strategy

### **How to Underpin the Asset Transfer Policy**

The Community and Voluntary Sector Asset Transfer Policy will be underpinned by the following principles:

#### **Commitment to a Thriving Civil Society**

That the Voluntary Sector Support Team from EBC will be involved from the start of the process, beginning with expressions of interest, working in partnership with surveying services to assist the voluntary, community and faith sector who are considering or submitting a business plan for an asset transfer taking into consideration those voluntary, community or faith sector organisations that may be receiving either core funding or funding through the Small and Medium Grants.

In implementing its asset transfer strategy, the Council recognises that, with appropriate support, community led solutions can achieve better outcomes than central initiatives.

EBC recognises that asset transfer plays a central role in realising opportunities associated with Big Society and the Localism Bill 2012

EBC will use asset transfer as a catalyst to greater community empowerment, to build the capacity of local citizens, and inspire others to create locally responsive solutions to community needs.

EBC will use asset transfer as a means of enabling VCSs to become sustainable on a long-term basis.

To be successful, community asset transfer requires a long-term partnership commitment on the part of the Council and the VCS and we recognise that this is the best way of minimising the risk of failure.

EBC recognises the advantage of long and flexible terms of tenure (with appropriate and proportionate safeguards) to enable VCS to adapt and change over time, in response to community needs, and to achieve long term sustainability.

That EBC, in the interests of ensuring the transfer is a success, will explore ways of aligning local commissioning and procurement processes towards that aim (and as part of a wider localism agenda).

That EBC will proactively explore community asset transfer, including supporting the creation of new community owned organisations or community/council joint ventures.

#### **Pro-Active and Strategic Asset Management Intent**

- That community asset transfer will become integrated within EBC Asset Management Plan and the Acquisition and Disposal Policy and be used as one of the options appraisal tools for dealing with under-utilised or surplus property assets.
- Community asset transfer and the creation of Council/Community Joint Ventures will be proactively explored as a mechanism to encourage community ownership.
- That the EBC will seek to extend its approach to community asset transfer and positively promote it to other public bodies and service providers (especially when considering property rationalisation and co-location of service provision.
- That a transfer process may be triggered by the identification of under-utilised or surplus assets by EBC or by an approach to the Council by the community or a VCS about a Council property or service.

- That the Council will regularly and proactively review the transfer potential of its assets.

### **Clarity and Transparency in Decision-Making**

- That a single gateway approach is taken, which provides a clear point of contact for VCSs with asset transfer enquiries and will act as a conduit and a source of information and support (with a named person, clear stages, indicative timescales for assessment, rights of appeal, etc).
- EBC will raise awareness through outreach, support and appropriate publicity, with partners, to encourage VCSs to consider taking on an asset.
- VCSs will not be encouraged to undertake substantial and expensive feasibility or business planning work until an 'in principle' decision has been taken by the Council and members, that the asset could be made available for transfer.
- Policy Statements on Asset Transfer and the Particular Circumstances when Transfer is Undertaken.
- In assessing proposals for asset transfer, the Council will consider the relative benefits and risks of the following options in order to justify its decision:
  - Doing nothing.
  - Expenditure on other services made possible as a result of a 'commercial' disposal.
  - The benefits generated by the transfer of the asset to a VCS and local communities more widely.
  - Opportunity costs.

The ground rules against which prospective transfers are identified, supported, assessed and taken forward are as follows:

- An Expression of Interest document will be produced by any interested voluntary organisation with the support of the Head of Community Support Services and the Voluntary Sector Support Officer.
- Any proposed asset transfer must support the aims and policies of EBC and aim to create the widest public value.
- Assets will include both land and buildings.
- Assets will be declared surplus to requirements (unless the transfer is part of a strategic decision to use asset transfer as a method of achieving wider regeneration objectives or community ownership of new services centres or hubs).
- VCSs will need to be incorporated, constituted for social benefit, and wherever possible, within their legal structure, through restrictive covenants to demonstrate to ensure that the asset is retained for community benefit.
- The Council will provide legal agreements which will enable VCSs to manage and develop the property as an asset in the long term while ensuring that the use of the building as a community asset is retained.
- The Council will generally pursue long-leasehold arrangements when considering asset transfer (e.g. 99-year lease).

VCSs will need to demonstrate community support for their proposals, a robust business plan in support of the transfer and a high level of organisational capacity (relevant to the scale and scope of the asset and enterprise).

EBC will only consider asset transfer where the VCS has demonstrated the capacity to manage the building appropriately (EBC recognise that organisations may be able to develop this capacity and will be given the opportunity to do so if commitment and potential can be demonstrated).

Levels of discount of market value will be set on a case by case basis based on the nature of the property, a robust assessment of the VCSs business plan, financial viability and the extent of community benefit to be derived.

Transfer recipients will be expected to produce a statement of community benefit on a 6 monthly or annual basis (although these will not constitute a Service Level Agreement).

EBC will consider investment in an asset prior to transfer to ensure that the building is fit for purpose (although preference will be given to VCSs that can lever in external investment).

EBC will provide ongoing organisational support to the VCS post transfer (subject to resources) and recognises that the partnership extends beyond the point of transfer.

When there are a number of interested parties in an asset that has been made available for transfer, EBC will aim to encourage collaboration. However, when this is not possible a competitive process will be used to decide the outcome and the successful organisation will become the Councils preferred partner in the transfer process.

Assets transfers to VCSs will aim to create the widest public value and will be judged on the following criteria:

- What community benefits will be realised by the transfer;
- How the interests of local people will be better served, including community involvement and capacity building of community members;
- Building the capacity of VCSs and encouraging greater organisational sustainability;
- The business plan and financial viability of the VCSs plans for the premises;
- Regeneration – social, environmental, economic (including the development of community enterprise activity);
- Improvements to, safeguarding or creating new local services/activities; and
- Supporting Council efficiency gains and co-location of service providers.

The decision to transfer an asset will not be considered as setting a precedent. Each asset transfer will be judged on its own merits and the detail of the transfer arrangements will be arrived at through individual negotiation.

The process for any asset transfer will be considered by CMB, Cabinet and full Council.

## **Procedures for Assessing Asset Transfer Proposals**

### **Expression of Interest**

A one-page summary sheet will be produced by the voluntary organisation with the Head of Community Support Services and the Voluntary Sector Support Officer. This document will outline the key components of the project before the business plan is drawn up.

By producing an Expression of Interest, it will enable the Council to have a high -level summary of the robustness of the business case in advance of a more detailed business being developed.

### **Elements of a Business Case**

The business case made to EBC by the VCS is the single most important document to inform the decision about whether to proceed with the transfer. Any business plan presented to the Council at a minimum must contain the following (although VCSs should feel free to structure the business plan in any way that they see fit):

Business Plan Element	Detail
Summary	Who you are, what you want to do, how you intend to do it, (usually written last)
About your organisation	Track record, current plans, partnerships and people, governance, legal structure
Summary of the project	Project Objectives Proposed programme for delivery Proposed impact/benefits of the project Proposals for management and operation of the asset (staff, volunteers) and the capital construction phase when relevant
Market	Need – what local needs will the project be responding to (who will be the beneficiaries)? How many will benefit within a year (e.g. community groups, local people)? Supply – who else is delivering similar activities in the same area? Is this potential for collaboration or competition and how will you respond to this? Demand – who will purchase the services/products that you provide? Pricing – what is the rationale for pricing (for services, renting space etc)?
Promotion	What is your marketing strategy? What methods will you choose (online, direct to customer etc) and who will you target? Who will do it (in house or external)?
Resources	Financial projections Should include cashflow for first year Should include budget program Should include examination of profit and loss and capital expenditure (if capital is required to redevelop the building sources secured or identified should be stated)  Explanatory notes – explaining rationale for projections and assumptions made. This should include assumptions about timings and level of commitment for both income and expenditure
Risk assessment/ management/ mitigation	Identification of the different risks associated with the project and a description of the implications of those risks occurring. Risks should be evaluated in two ways – the likelihood that the risk item will occur and the level of impact if the risk item does occur. A description of what the organisations strategy will be to prevent the risk items from occurring, or coping with them if they do, should also be provided

The organisation will also be expected to submit copies of governing documents, any evidence of external advice provided, expressions of support from partners/customers, copies of accounts (where available).

### **Localism Act 2012**

As well as the Asset Transfer to the Voluntary Sector policy which forms part of the Asset Management Plan. Legislation known as the Localism Act 2012 came into force on 21 September 2012, bringing in another major piece of legislation around community empowerment.

### **Background**

This legislation was introduced as part of the Government's policy to assist local community groups in preserving those buildings or land, which they consider to be

important to their community's social wellbeing. It aims to give those in the local community early warning of the intention to sell such assets and to enable them to delay sales by six months to provide time for them to put together a bid to buy the asset. The proposals do not require the landowner to dispose of the asset to a community group nor force any sale but are intended to facilitate the transfer into community ownership of property assets felt to have local social value.

Part 5 of Chapter 3 of the Localism Act 2011 gives local groups a right to nominate a building or other land for listing by the local authority as an asset of community value. The land can be listed if a principal use of the asset furthers the social wellbeing or social interests of the local community and is likely to do so in the future. The Act does not place any restriction on what an owner can do with their property, once listed, so long as it remains in their ownership. Listing will not, for instance, prevent the lawful implementation of a planning permission – but it will provide community groups with the reasonable opportunity of bidding to buy the land on the open market if the owner wishes to sell.

### **Listing**

The regulations define what is a local connection, and the bodies that may make nominations. A public or local authority other than the parish council may not be a voluntary or community body and so may not make a nomination. Community nominations have to comply with certain requirements: they must describe the authority, the ownership details the nominator has and the nominator's reasons for thinking that the responsible authority should conclude that the land is of community value, as well as evidence that the nominator is entitled to make a community nomination. Upon receiving such a nomination, the Council has eight weeks to decide whether or not the land should be included in the list.

If the decision is to not list the land, the community group could challenge that decision through judicial review.

If the owner is not satisfied by the review, they can also appeal to the First Tier Tribunal against the local authority's decision on a listing review. As listing can also lead to a claim against the council for compensation, records must be kept of the decisions at each stage and the reasoning behind them.

### **Effect of Listing**

The impact of land being listed is felt when the owner wishes to dispose of the land (by either a sale of the freehold or a lease of over 25 years), when they must inform the local authority of their intention to do so. They are then not able to dispose of the land until the interim six-week moratorium period has ended without any community interest group making a written request to be treated as a potential bidder in relation to the land. Where such a request is made within the six-week period, the owner is prohibited from disposing of the land (save in certain specific circumstances) for a further 4.5 months. Any disposal by an owner during this period (apart from a few exceptions listed in s.95 (5) is ineffective. It should be noted that the local authority is under no duty to participate in any discussion between the community and the landowners, or to facilitate attempts by the community group or parish council to obtain the land.

### **Compensation**

The provisions in the Act that have the greatest impact upon councils relate to compensation. Private owners may claim for loss and expense incurred through the asset being listed or previously listed. The regulations specifically provide that this will include a claim arising from a period of delay in entering into a binding agreement to sell which is wholly caused by the interim or full moratorium period; or for legal expenses incurred in a successful appeal to the Tribunal.

Claims for compensation must be made to the council within 13 weeks of the loss or expense being incurred. They must state the amount of compensation claimed with supporting evidence. The council is required to give the claimant written reasons for its decisions. Our processes outlined in bold below point 3 outlines the EBC process for dealing with compensation. As with the listing process, a claimant may ask for a review by the local authority of the compensation decision both in respect of whether the compensation should be paid and if so the amount payable and, once again, an officer of appropriate seniority who did not take any part in making the decision to be reviewed must carry out the review.

There are strict timescales for decision-making under the Act, and the Council requires senior officers to carry out listing reviews. As part of this process the Council has put in place a delegated scheme for the purposes of maintaining the list and dealing with nominations and appeals. These relevant executive functions to officers are agreed by Council and are listed as Points 1-3 below:-

#### Point 1

The strategic director and deputy chief executive be delegated authority, in consultation with the portfolio holder for resources, to decide whether land is appropriate for inclusion in the list of assets of community value, and to determine community nominations in that respect, in accordance with sections 87-108 of the act and the assets of community value (England) regulations 2012 ("the regulations");

#### Point 2

The strategic director and deputy chief executive be delegated authority to make all relevant notifications under the act and to determine compensation payable to owners pursuant to regulations 14 and 15 of the regulations; and

#### Point 3

The chief executive be authorised to act as the senior officer responsible for reviews of listing and compensation decisions made under the act and the regulations, including the administration of procedures for review set out in schedule 2 to the regulations.

## **Accommodation Strategy**

### **Introduction**

Property assets are a major resource and a major cost to the Council. The effective use of Council office accommodation is critical in delivering efficient services.

Accommodation Strategy will be on the basis that the Civic Centre building be utilised as intensively as possible, and the primary use of the building will be as a Community/Public Service Hub, in order to provide public services in the Borough.

The accommodation strategy will be closely linked to the Council's Organisational Development requirements and the future possibilities that technology can offer with regard to working practices.

The Council has circa 84,000 sq.ft of office space throughout the Borough and 63,500 sq.ft of this is located at the Civic Centre.

The Civic Centre office is the primary civic centre for both administration and political functions.

The current strategy is based upon the assumption that Council will continue to use the Civic Centre as its main civic base for the foreseeable future.

Through this strategy Elmbridge Borough Council (EBC) aims to deliver an effective working environment that supports efficient working practices, which are compliant with statutory requirements.

The Council's accommodation strategy actively supports collaborative working with public sector partners where such initiatives produce a mutual benefit.

The Strategy will need to be a dynamic document and be formally reviewed and updated regularly.

The Strategic approach to accommodation use will ensure that the following criteria are observed:

- Ensure health and safety (including fire safety) issues are addressed.
- Adopt a planned and structured approach to determining its future office accommodation needs.
- Influence the property strategy so that there is appropriate planning for maintenance, repair and upgrading of office accommodation.
- Match the quantity and disposition of the Council's office accommodation against its likely future service needs and financial position.
- Ensure that environmental sustainability factors are addressed in the Strategy wherever practicable to do so.
- Set acceptable reasonable "housekeeping" standards for office premises.
- Achieve efficient space usage.

- Have in place effective maintenance contracts and programmes for planned maintenance to avoid disruption to service delivery.
- Adapt accommodation space to meet the needs of the Council services in occupation and those of tenants and partners.

### **Civic Centre Accommodation and Investment Needs**

The Civic Centre, High Street, Esher Surrey KT10 9SD was built in 1990/91. The last condition survey was completed in 2017 and the building was generally found to be in a reasonable condition. The main accommodation issue is high office temperatures during the summer months. Air Conditioning is limited to the Council Chamber and Committee rooms 1, 2 and 3 and does not extend to general office areas. Consideration has been given to installing comfort cooling to office areas, but the high capital cost has always been prohibitive.

The upgrades to the mechanical and electrical plant, has had significant impact on the reduction of energy consumption.

The accommodation review was last conducted in 2013, and since then there have been several changes:

- Newly configured Reception.
- Several of the floors have been reconfigured to new standards apart from the Ground floor, currently occupied by Housing Services.
- Two new private sector tenants and an expanded Surrey Police function in place.
- Surrey County Council (SCC) rent out part of the building and are looking to continue with current space, albeit differently configured and new ways of working.
- As part of SCC's "getting close to their residents", they are also looking for more space to provide services.
- There is limited presence of Voluntary Sector groups (use of one room on Reception), likely to increase with Esher CAB moving in.

There is a review underway to consider:

- Ideas for the better use of the space within the Civic Centre.
- Whether hot-desking around the Civic Centre would be desirable or not.
- Determining how many desks were required for each Team including the options for desk sharing.
- The degree to which we can achieve uniformity, flexibility and fairness.
- Flexible working arrangements including working from home.
- The need for more infrastructure around the building including data points, toilets and other facilities etc.
- Business continuity needs, and
- Initiatives for future income generation.

### **Meeting Rooms**

They are well catered for and in general room utilisation is below 100%.

## **Restaurant Provision**

In 2013 the area adjacent to the former restaurant space was refurbished to provide a new restaurant area and has been let to Elly's Kitchen who has been providing hot and cold refreshments to the users of the building.

## **Sharing Civic Accommodation with Public Sector Partners**

Currently SCC occupy approximately 7,200 sq.ft. of office accommodation from EBC.

The Council has let part of ground floor wing A to Surrey Police who have relocated the area neighbourhood team into the Civic Centre following the closure of the Boroughs police stations. This was further expanded during 2018/19 resulting in the Police and Crime Commissioner for Surrey (PCCS) now renting a total demise of 4779 sq.ft. The PCCS also has a licence to occupy space in the Reception area.

Esher CAB will be moving into the Civic Centre during 2019/20. There is already a limited presence of Voluntary Action Elmbridge and Rent Start in the Reception area. Any accommodation provided to the Voluntary Sector Partners are provided free of charge.

## **Private Lettings**

Two external organisations currently occupy space in the Lower Ground floor. These will be reviewed when the leases come up for renewal.