

**Epsom and Ewell Borough Council
Strategic Asset Management Plan
2020 – 2030**

1. Introduction

Purpose

The Strategic Asset Management Plan 2020–30 sets out the Council’s approach to the strategic management of its land and property assets totalling circa £120 million, over the next ten years. It details how this will support the Council’s corporate priorities and the action required to play a key role in the successful delivery of the Council’s overall vision, aims and objectives.

Property assets, being high value and many incurring considerable annual maintenance and running costs for the Council, need to be efficiently managed to ensure the maximum return from their use including generation of income and delivery of wider Council outcomes.

Context and benefits

“Strategic Property Asset Management is the process which aligns business and property asset strategies, ensuring the optimisation of an organisation’s property assets in a way which best supports its key business goals and objectives”
RICS Public Sector Asset Management Guidelines 2nd Edition

The benefits of effective asset management are both financial and non-financial and include:

- public service provision to customers in the most appropriate location and by the most cost effective means
- efficient running costs, capital receipts and income generation
- achieving regeneration aspirations to improve the economic well-being of an area
- Improved property utilisation and bringing together similar uses in the same property
- maintenance of all property assets to good standards
- the introduction of new working practices and organisational change
- opening up opportunities for co-location, partnership working and sharing of knowledge between authorities and partner organisations
- a reduction in carbon emissions and the improvement of environmental sustainability
- the improvement of accessibility to services including Equality Act compliance
- an overall improvement in the quality of the public realm

In this context ‘asset’ has a limited definition of legal interests in land and property.

The Asset Management Plan forms part of the Council’s policy framework to provide a robust process for governance and decision making. The use and management of property is intrinsically linked to the Council’s corporate vision, priorities and values. Conversely, the Council should not retain property assets that do not support its wider corporate and specific property policies.

2. Corporate context

Contribution to Borough's long-term Vision and the Council's Corporate Plan

The Council is currently working to deliver a new long-term vision, developed out of *Future40*, the largest engagement exercise ever undertaken in the borough. It draws on the feedback of thousands of residents, businesses, workers, students and visitors and those organisations from the public, private and voluntary sectors with a stake in the future success of the borough.

The resulting vision for Epsom and Ewell identifies five key priorities as set out below:-



The borough's new vision has an important role in shaping and informing the Council's future decisions. The Council's property assets will play an important role in supporting the key themes (considered below), particularly in relation to the economy, place and local communities.

- **Green and Vibrant**
Enhance the quality of the public realm, making it more open, attractive, welcoming, comfortable and connected.
- **Opportunity and Prosperity**
Protect the vitality of the high street and secure more affordable housing for local workers, students and families.
- **Safe and Well**
Contribute to a safer environment, protecting local employment opportunities and creating a place where people want to visit.
- **Cultural and Creative**

Contribute to the cultural and creative life of the borough through vibrant high streets and enhancing its cultural character.

- **Smart and Connected**

Improve connectivity to make it easier for people to navigate between spaces and access what they need.

The new long-term vision for Epsom and Ewell has directly informed the Council's new 4 year Corporate Plan which was agreed in early 2020 and adds a sixth theme to the vision. It places the role of an "effective Council" at the heart of its wider place ambitions.

Strategic Statement on Economy and Place

The statement sets out the Council's strategic priorities for economy and place in the context of the Council's new long-term vision for the borough, and in advance of the new Corporate Plan and the forthcoming detailed strategies that will ultimately emerge through the Council's Local Plan process.

The strategic statement closely complements the Asset Management Plan by providing a corporate and planning context to inform future Council decision making, including acquisition, disposal or development of its own land and property assets.

To assist the Council in maximising the social, economic and environmental outcomes it can achieve, alongside core considerations of financial viability, future decisions relating to the Council's own asset management (purchase, disposal, use and development) will need to demonstrate their contribution to one or more of the following strategic priorities:

- Contribution to the delivery of the Council's Long-term vision and the delivery of the strategic priorities set out in its Corporate Plan
- Provides an opportunity to facilitate "Good Growth" as set out in the Surrey-wide Place Ambition under which the active use of the Council's own local assets and its own developments can play a significant role.
- Within the Town Centre - contribution to priorities set out in the Council's Plan E – Area Action Plan, including the defined opportunity areas.
- The scope for the protection of key employment sites, further strengthening the protection provided by the Council's Article 4 Directions (to prevent the automatic application of office to residential permitted development rights).
- Contributes to the priorities set out in the Council's Housing Delivery Action Plan. The Plan seeks to identify ways to facilitate an increase in the delivery of new housing to address local housing need, including the development of more affordable homes for local people.

Economic Development Plan

The Council is committed to supporting local business and promoting the Borough as a prosperous place with great economic opportunities an excellent place to do business. The Council's Economic Development Action Plan was adopted in 2016 and is currently being updated. It will be complemented by the Asset Management Plan where the Council's current and future property assets will have a key role in contributing to the Council's Economic Development aspirations. In particular, these aspirations seek to increase the choice of commercial property to provide greater start-up and grown-on space for new and expanding businesses in the borough.

Climate Change Motion

At a cross-party decision at the full Council meeting held on 23 July 2019, Councillors agreed that the Council had a vital role in helping to address the serious and accelerating impact on the environment and people's lives from climate change. Councillors agreed to establish a Climate Change Action Plan, with targets for the Council to cut its environmental impact and take the necessary steps to become carbon neutral.

A major contributor to carbon emissions is the energy used in buildings and much of this can be addressed through a shift to renewable energy sources, more efficient lighting (eg. led lights) and heating systems (eg. air and ground source heat pumps), and through better insulation and design.

Housing Delivery Action Plan

Through the Planning system, the Council's Housing Delivery Action Plan aims to identify ways to increase the future supply of housing in the Borough. The Asset Management Plan will support this government initiative by:-

- Pursuing where possible, suitable housing development opportunities using the Council's own property assets.
- Promoting and attending local stakeholder agent and developer networking events.
- Regularly reviewing the Council's Brownfield and Self-Build Land Registers in relation to its own property assets.
- Regular meetings of the Council's Property and Regeneration Board to review its own property assets and explore the opportunity to purchase new ones.

The Medium Term Financial Strategy

The Government's forthcoming Fair Funding Review and the Redistribution of Retained Business Rates will create considerable uncertainty surrounding Council funding levels from 2020/21 onwards. It is possible that the Council's retained business rates income alone will fall by just under £600k by 2022/23.

Even without the "Fair Funding Review", the latest forecast reported to Council in February 2019 showed the Council is facing a funding deficit by the end of 2023/24 of between £1.5m and £2m to continue to deliver a balanced budget.

The longer term objective of this Council is to deliver a balanced budget not reliant on Government funding from business rates nor New Homes Bonus Grant.

It is essential that a strategic view of the asset portfolio is taken in order to deliver the Council's corporate priorities and achieve the best value for money.

The Medium Term Financial Strategy expects the Council's Strategic Asset Management Plan to contribute an additional £500k per annum net rental income over the four-year period.

The Council's Capital Strategy

In February 2018, the Council approved its latest Capital Strategy Statement. This provides a framework for asset planning and for decisions on future capital investment.

As part of the Council's Capital Strategy a Commercial Property Acquisition Fund of £20 million was created in 2016/17, and in February 2017 the Council agreed to increase the fund by a further £60 million.

In September 2017 the Council approved the establishment of a property investment company and a supplementary capital expenditure budget for property acquisitions of up to £300m across 2017- 2020.

Due to the public sector funding environment, the main capital programme has been highly constrained, and funding has therefore only been available for core projects and areas of unavoidable capital expenditure. Unless new capital resources can be identified, for example through the sale of assets that are no-longer required or no-longer economic to retain, it is likely that there will continue to be limited capital funding available to reinvest into improving the Council's existing assets.

The Council has made some use of Community Infrastructure Levy Funding and Section 106 agreement funding collected from developers to support infrastructure projects in the borough. However, a significant amount of this funding has now been committed and new major infrastructure requirements for the borough are now being identified as part of the new Local Plan process, which will be a major draw on this funding source going forward.

3. Our key property strategies

The Council will adopt the following 4 key strategies to effectively manage its property assets:-

Place Ambition

The Borough enjoys an enviable strategic location - well served by road and rail connections, a strong skills base and vibrant local economy. To ensure its future prosperity, the Council is committed to promoting the economic, social and environmental wellbeing of the Borough and its residents.

Place shaping ambitions include supporting the construction of high quality buildings for both living and working. Well-designed, environmentally sustainable buildings and open spaces contribute to health and well-being improvements, while also supporting the growth and resilience of the local economy.

Its property assets can play an important role in supporting the Council's Strategic Statement on Economy and Place. In particular, it can do this by contributing to:-

Surrey Place Ambition 2050 - a wider Place Ambition initiative that recognises the Borough is an important economic sub-region for future growth; for example, Council led developments can directly contribute to the delivery of wider place ambitions for Surrey.

Surrey SHAPE Programme – a partnership of Surrey public sector authorities to jointly identify opportunities to optimise the use of assets and enable the release of land and property to stimulate economic growth, regeneration, new housing and jobs.

The Council's Economic Development Plan – assisting to widen the choice of commercial property to appeal to all users; for example, the promotion of business incubation and start up hubs.

The Council's Town Centre Area Action Plan (Plan E) – the use of the Council's land and buildings to stimulate development and growth for Plan E led urban regeneration projects. Plan E identifies a range of strategic objectives including the retention of employment land use; enhancing pedestrian and public transport accessibility; creating high quality public realm / public spaces and enhancing the identity and character of the Town Centre. The Council will actively seek potential development opportunities using its own land and property assets wherever possible to act as a catalyst for larger developments.

Article 4 Directions – employment use is a key contributor to the Borough's economic prosperity and vitality. To recognise the importance of key Town Centre office buildings, the Council issued Article 4 Directions to reinstate the requirement for office to residential conversions to require planning permission (otherwise allowed under Permitted Development). The Council's direct ownership of key Town Centre office buildings further strengthens its commitment to employment use.

The Council's Housing Delivery Action Plan (HDAP) – this recognises the physical constraints on housing development in the Borough in the context of the increasing population and pressure on housing. The HDAP aims to identify ways to increase the future supply of housing in the Borough. Support will be offered wherever possible to:-

- Undertake suitable housing development opportunities using the Council's own property assets. The Council also recognises that housing supply must be affordable and where delivered, the Council will seek to maximise the allocation of affordable housing.

- Promote and attend local stakeholder agent and developer networking events. This increases the awareness of Council owned assets and assists developers to identify opportunities for inclusion in larger developments. For example, the Council is a founding member of a local Epsom based property network that includes developers, solicitors, surveyors, estate agents, mortgage brokers and other active members of the local property market.
- Undertake regular reviews of the Council's Brownfield and Self-Build Land Registers in relation to its own land and property assets.
- Review the availability of its property and land assets at the Council's regular Property and Regeneration Board meetings.

The Council's Health and wellbeing Strategy – as an important element of the Council's long-term vision for the Borough, its land and property assets can play a key role promoting the following priorities contained in the strategy:-

- Living life to the full, whatever your age
- Supporting the mental and emotional wellbeing of our residents

For example, the Council has already taken the opportunity to use its property assets to further the wellbeing of residents – two existing storage sheds at Horton Country Park are now committed to exercise promoting leisure uses.

To plan and manage property as a corporate resource

By fully developing the Corporate Landlord model towards a co-ordinated asset strategy, the Council will be able to use its property assets to maximise their contribution to corporate objectives and strategic priorities. This is achieved by centralising the property management function across the operational estate. It will enable improved cost control, consistent decision making and wider efficiencies to be realised across the whole portfolio.

Operational assets must be aligned to our future service requirements in terms of number, location, condition, accessibility & fitness for purpose. Buildings must be fully utilised and it is vital that they are contributing to our corporate objectives. Those assets that do not meet these criteria will be considered for alternative use or disposal.

The Council will promote closer joint accommodation opportunities with partners. Where it will benefit the Council's service delivery, the Council will always consider proposals to lease any surplus accommodation to partners, for example:-

- Promoting the provision of service hubs, for example, closer operational working with Surrey County Council at locations such as Bourne Hall, Ewell where the County Council operates a public library.

- Continuing to play a key role in the Government's "One Public Estate" initiative and contribute to the Surrey SHAPE Programme to consolidate public sector buildings and integrate customer focused services. The Town Hall already includes Surrey County Council and the Police.
- Supporting the provision of voluntary service organisations.

The ongoing costs associated with maintaining operational property can be significant. To ensure they continue to remain fit for purpose and meet the Council's needs, a long term planned maintenance programme needs to be adopted for the next 10 years. A long term planned maintenance programme is best supported by maintaining robust, accurate and up to date information to assist effective decision making on property assets. The Council will review its current information to determine whether it has a system that is fit for purpose and allows the council to:-

- Maintain a complete and accurate property asset register
- Support the continuous management and maintenance of the property asset base
- Satisfy statutory and other reporting and compliance requirements
- Implement performance measurement across the asset portfolio
- Review property assets, appraisals, decision-making and planning with accuracy and timeliness.

Improve environmental sustainability

At a cross-party decision at the full Council meeting held on 23 July 2019, Councillors agreed that the Council had a role in helping to address the serious and accelerating impact on the environment and people's lives from climate change. Councillors agreed to establish a Climate Change Action Plan, with targets for the Council to cut its environmental impact and steps to become carbon neutral.

The Council's property assets can help to reduce carbon emissions and improve environmental sustainability, for example, by ensuring that energy supplies to operational properties are from renewable sources. The Town Hall has been supplied by electricity generated from renewable sources since January 2019.

Sustainable financial returns

The longer term objective of the Council is to deliver a balanced budget not reliant on Government funding from business rates nor New Homes Bonus Grant.

It is essential that a strategic view of the asset portfolio is taken in order to deliver the Council's corporate priorities and achieve the best value for money.

The Medium Term Financial Strategy expects the Asset Management Plan to contribute an additional £500k per annum net rental income over the four-year period. Alongside good property management, this can be supported by pursuing opportunities that maximise the value of the property portfolio, for example:-

- Reducing exposure to low value and low income properties, and be challenging when achieving income from properties held on socio-economic purposes.
- Optimise the use of operational assets and aspire to secure market rents from the release of surplus accommodation.
- A presumption in favour of granting commercial leases at market rents and on a Full Repairing and Insuring (FRI) basis. An FRI lease transfers the responsibility and cost for all outgoings to the tenant.
- Reduce operational property running costs and / or avoid the need for replacement assets.
- Maximise the utilisation of Council owned Venues and reduce their operational subsidies; for example, to aspire to operational models for Ewell Court House, Bourne Hall and the Playhouse that generate sustainable financial returns.
- Optimise the asset management of the income generating portfolio with every opportunity taken to improve its financial performance; for example, to implement rent reviews in a timely manner to market rental value; action lease renewals at strategically the most appropriate time; ensure tenants comply with all repairing obligations and adopt a commercial approach with rent concessions and arrears.
- Undertake development of surplus properties, either to enhance the capital value of the site, or to generate a revenue income stream from letting out an asset.
- Increase the non-operational property portfolio by acquiring suitable assets that meet the requirements of the Council's Strategic Statement on Economy and Place.

4. Criteria for reviewing and rationalising property assets

The Strategic Asset Management Plan provides a framework for determining which of the Council's assets are suitable for retention or disposal in order to fund new investment that will ensure the property portfolio is fit for purpose.

Over the course of the Medium Term Financial Plan, the Asset Management Plan will enable the identification of assets to be:-

- 1) **Retained (planned maintenance adopted and / or refurbished)** – is the asset required for future service needs, optimal income generation and / or future development opportunities.
- 2) **Held for development** – is the scheme deliverable and will it provide defined financial and / or community benefits.
- 3) **Disposed for a capital receipt** – is the cost benefit analysis too marginal to justify retaining the asset.

The Council will need to consider the long-term future of buildings associated with high future maintenance spend, high CO2 emissions and that lack the required flexibility to meet future requirements. This may create opportunities for relocation or redevelopment of services and facilitate wider regeneration outcomes.

The Council's property assets can be broadly split between those held for operational purposes i.e. the delivery of services; and those held for investment purposes i.e. to generate income and support the Strategic Statement on Economy and Place.

Different criteria are applied to non-operational or investment property. These may have been acquired and held for operational purposes, or for some other objective which is no longer relevant. The decision of whether to retain ownership is determined by the evidence of expected capital growth and /or revenue streams which can be used to support Council services. The alternative is to disinvest and deploy the funds directly elsewhere.

Asset Review Criteria

Maintenance of existing operational buildings - 10 Year planned maintenance and repairs programme

A 10 Year Planned Maintenance Programme has been formulated for existing property assets to determine the long term financial cost of retaining them (further described in section 7). This will guide decision making as to whether it is in the Council's best financial interests to retain a property asset or consider the purchase of a replacement asset.

In the long term, the Council's aim is to reduce the maintenance programme to levels which can be fully met within the limits of the revenue funds available, such that the works are no longer funded from capital reserves.

The primary objectives for the 10 year period to 2030 are:

- To utilise the current maintenance allocation in the most cost effective manner in a climate of reduced funding in real terms
- Ascertain opportunities to achieve savings through procuring works differently

- To integrate the repairs and maintenance programme more closely with other property performance criteria such as energy costs and details of asset value and income received alongside any other liabilities.
- To compile and organise the necessary data to allow accurate comparison with national property performance benchmarking
- As part of the maintenance strategy, identify obsolete or inefficient buildings for improvement, disposal or demolition before they become a significant drain on the available resources

Rationale for holding operational property assets

The Council's operational portfolio needs to be evaluated against a common set of criteria to provide baseline information to identify the condition and suitability of assets and potential opportunities.

Central to this process is consultation with service managers who will be challenged to identify whether the accommodation is absolutely required, or whether there are opportunities to share accommodation either within the organisation or more widely with external partners and stakeholders.

Considerations include:-

- Does the Council's property asset reflect its existing requirements and future needs of staff, residents, service users and partners?
- Assets that could stay operational with enhanced utilisation, for example co-location with partner organisations and / or new working practices
- Assets that require major investment and are deemed too expensive to run/ are not fit for purpose and/ or have the potential to achieve a capital receipt
- Assets that are vacant, surplus to requirements and should be disposed of immediately

Rationale for disposing of operational property assets

This is closely linked with holding operational assets with particular considerations including:-

- Is this a low performing and high cost asset in poor condition?
- Is it fit for purpose or does it require significant expenditure? For example, is the cost / benefit analysis of required investment proportional to the expected payback period and length of future use?
- Can the property be better utilised or managed in an alternative way?
- Do we have the right property and in the right place? For example, do we have fit for purpose, flexible and reconfigurable accommodation across the Council's operational portfolio?
- Can the property be better utilised or managed in an alternative way?

Linkage to the delivery of the Council's priorities

The Strategic Statement on Economy and Place closely complements the Strategic Asset Management Plan by providing a corporate and planning context to inform Council decision making on its land and property asset ownerships.

Considerations include:-

- Is the property asset contributing to the delivery of the Council's Long-term vision and the delivery of the strategic priorities set out in its Corporate Plan?
- Is the property meeting financial and / or community goals?
- Within the Epsom Town Centre does the property asset contribute to the priorities set out in the Council's Plan E – Area Action Plan, including the defined opportunity areas.
- Contribute to the priorities set out in the Council's Housing Delivery Action Plan? The Plan seeks to identify ways to facilitate an increase in the delivery of new housing to address local housing need, including the development of more affordable homes for local people.
- The opportunities available for partnership working and sharing development risk with an external partner; for example, working with a housing association or private developer.

Capital funding for new buildings

Considerations include:-

- The Council adopts an in-borough focus for purchasing property; for example, any future acquisitions must be within the Borough.
- Presumption that the Council will always favour the freehold retention of assets; for example, the preference for disposals will be on a long-term, leasehold basis to provide the Council with maximum future flexibility.
- Presumption that income generating properties will be expected to be on Full Repairing & Insuring terms at market rents i.e. to transfer the responsibility and cost of repair and maintenance to the tenant.
- A balanced property portfolio across the main property sectors (industrial, office, retail and operational) is maintained to manage risk. This ensures the Council is not over exposed to any one type of property.
- The deliverability of a new redevelopment, in terms of timescales, risk and planning constraints.
- Can the property be developed to stimulate economic growth, regeneration or new housing?
- Can a new income stream be created from redevelopment?
- Does the existing property maximise income and minimise expenditure?

Alignment to the green agenda

At a cross-party decision at the full Council meeting held on 23 July 2019, Councillors agreed that the Council had a role in helping to address the serious and accelerating impact on the environment and people's lives from climate change.

Efficient energy use and sustainability focuses mainly on buildings in use (i.e. post construction) and on the environmental impact of

- energy use
- water consumption

- waste management

Sustainability also embraces values such as accessibility, visual impact, flexibility and efficiency/suitability as well as energy and climate considerations. In the main these criteria will be applied in managing the existing asset base but it also makes sense for them to be employed in the procurement process so that new buildings are well designed, energy efficient and flexible.

Considerations include:-

- Is the asset capable of reducing its environmental impact in line with the Council's Climate Change Action Plan?
- The carbon footprint / energy consumption associated with each building
- The energy efficiency rating of each of the Council's operational assets

5. Critical success factors / performance measurement

A clear set of expectations and targets are needed in relation to the value each asset brings, and a way to monitor and manage the performance of these assets going forward. It is proposed that the focus of this performance management during the course of this plan will be:

1. Asset portfolio

- The balance of asset numbers and market value in each category.

2. Income

- Total income generated from the Council's Assets
- Setting income levels that are realistic for each category of asset. For example:
 - a) Primarily commercial office
 - b) Primarily commercial industrial
 - c) Primarily commercial retail (Town Centre)
 - d) Primarily commercial retail (non-Town Centre)
 - e) Primarily incubator and start-up
 - f) Primarily community, but occupied and managed by a third party
 - g) Primarily community, but operated by the Council

- Number of rent reviews carried out and implemented 'on time'

3. Future maintenance costs

- Profile of future asset revenue and capital costs per property

4. Utilisation

- Number and name of vacant properties

- Void turnaround times
- For each operational building, the percentage of the usable capacity occupied during the course of the day.
- For the Council's office accommodation, average office floor space per office based employee compared with national standards

5. Carbon footprint

- The carbon footprint / energy consumption associated with each operational building
- The energy efficiency rating of each of the Council's operational assets

6. Accessibility

- The disability accessibility of each operational asset
- The costs associated with making each operational building fully accessible

6. Overview of property assets

The Council owns a mixture of operational properties (held for the delivery of services) and non-operational (used to generate income) properties. The portfolio includes leisure facilities, car parks, civic and public buildings, shops, offices and industrial buildings.

Assets are fundamental to the efficient and effective operation of Council services – providing accommodation for staff, making services accessible to the local community, generating income and enabling development and service contributions by third parties.

The following table overleaf provides a summary of the Council's property estate by asset type, number of each type and the book value held in the Asset Register (this is held for statutory accounting purposes and does not reflect actual or expected market value should the asset be prepared for sale).

OPERATIONAL LAND & BUILDINGS

Asset Type	No.	2019 Asset Register Value £	2019/20 Income £	10 Year Maintenance Forecast £	Average Annual Maintenance Cost £
CAR PARKS	12	22,392,774	2,328,484	2,480,000	248,000
VENUES Bourne Hall Hook Road Arena Ewell Court House Epsom Playhouse	4	16,779,737	225,469	2,562,600	256,260
MUNICIPAL Town Hall Depot	2	7,577,400	161,235	1,737,000	173,700
COMMUNITY Temporary Accommodation	7	3,670,861	80,330	36,500	3,650
Community & Wellbeing Centre	1	1,753,750		303,000	30,300
Cemetery	1	110,326	131,000	86,000	8,600
Allotments	9	54,030			
Misc (Bus shelters, public conveniences)	3	323,400		89,000	8,900
LEISURE Multi sports pitch Athletics track Skate parks Play areas Horton Country Park	8	1,526,046	58,377	656,500	65,650
Pavilions, Parks & Open Spaces	26	5,179,671	61,151	814,000	81,400
TOTAL	73	59,367,995	3,046,046	8,764,600	876,460

INCOME GENERATIVE PROPERTIES					
Asset Type	No.	2019 Asset Register Value £	2019/20 Income £	10 Year Maintenance Forecast £	Average Annual Maintenance Cost £
COMMERCIAL					
Offices	4	18,460,850	1,219,463		
Industrial	19	19,974,900	724,540		
Retail	2	6,645,900	519,031		
Residential	7	1,174,000	40,165	352,500	35,250
The Clock Tower	1	252,700	23,000	178,000	17,800
LEISURE					
Farm Centre / Visitor attraction	4	12,892,170	457,671		
Golf Club					
Leisure Centre					
Equestrian Centre					
COMMUNITY					
Health / Medical Day Nursey	5	2,278,700	150,764	128,000	12,800
Scouts Huts, Youth Centres & Boys Club	5	97,380	2,618		
DEVELOPMENT					
The Wells	1	624,000			
TOTAL	48	62,400,600	3,137,252	658,500	65,850

The portfolio summarised above includes 61 operational properties, 12 car parks and 48 commercial properties, as well as numerous smaller sites and buildings. The overall aim for operational property management is to hold the minimum number of buildings and sites that will support service delivery 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.

Leisure and venue properties also constitute a larger proportion than might be expected for an authority of this size, although most are in mixed use, including libraries, health centres and other public services.

The main objective for non-operational property is to manage the property portfolio so that the financial return to the Council is optimised and supports the local community in line with the Council's priorities.

In the non-operational category the largest single property by value is Parkside House (£12.7m) followed by the Ashley Centre (5.6m), of which the Council owns the freehold subject to a long ground lease.

7. Repairs and maintenance 10 year programme

The repair and maintenance requirement for each property is determined by a condition survey undertaken on a five year rolling programme. Based on this information the Council's Projects Team undertake an annual review of the planned maintenance programme. More recently, the team has established the likely costs of the planned maintenance programme for the coming 10 year period.

In the long term the Council's aim is to reduce the backlog maintenance programme to levels which can be fully met within the limits of the revenue funds available, such that the works are no longer funded from capital reserves.

Routine maintenance and repairs are a mixture of planned and reactive works which are met from the revenue budget. Minor day to day repairs are covered under the facilities management contract.

Maintenance works are currently categorised in three levels of priority. Priority 1 works (i.e. those which present significant health and safety concerns, risks to services or an immediate cost liability) are completed as soon as possible but funding constraints mean that it is unlikely that all Priority 1 works for the year can be completed in accordance with the programme.

Lower priority works are kept under review and dealt with as funds become available or as their priority increases. There may also be wider asset management objectives for a property which override the immediate requirement for work to be done.

The aim is to ensure that the most urgent works are identified, with the greatest priority being given to those elements in the worst condition in the most strategically important buildings. The Council operates within a fiscally constrained environment to ensure the best use of resources, provide value for money and ensure that funding is properly prioritised.

A report is prepared for approval by Strategy and Resources Committee at the beginning of the financial year. This identifies the significant maintenance items for the year with estimates of cost. Following a review of progress a mid-year report is submitted Strategy & Resources Committee to account for adjustments to the original estimates and newly arising priorities.

Approval for major capital works and improvements is obtained via a departmental bidding process and subsequently by formal report on a project by project basis. Any monies which are approved but not spent during the current year are subject to a further committee report to allow carrying over to the following year.

The condition survey of Council managed assets and analysis of the routine maintenance and replacement of internal plant which will become due, point to some £8.7m of maintenance investment needed in the ten years from March 2020.

The buildings that will require the highest level of capital expenditure will be the Town Hall at circa £1.5m followed by Bourne Hall at £1.1million and the Epsom Playhouse at £0.87million.

Meeting this scale of costs in the current financial climate will be a significant challenge without finding additional capital resources, and may not make economic sense in every case. The energy use and CO2 emissions associated with key Council buildings, particularly the older and less energy efficient ones, and the ability to address these in a meaningful way, may further challenge the viability of some existing building.

The Council will therefore need to consider the long-term future of buildings associated with high future maintenance spend, high CO2 emissions and that lack the required flexibility to meet future requirements. This may create opportunities for relocation or redevelopment of services and facilitate wider regeneration outcomes.

Significant capital and revenue expenditure will also be needed in a number of the Council's multi storey car parks over the next 10 years including:

- Ashley Centre Multi Storey Car Park £1.62million
- Hook Road Multi Storey Car Park £0.86m

Consideration will need to be given both to the long-term future of car parks as we begin to see a shift in the patterns of car usage and car ownership, as well as how to make the footprint of existing car parks generate more value, through some level of intensification and/or including some mixed use development.

8. Organisational changes

The Council's property portfolio is corporately managed, with decisions on acquisitions and disposals reserved for the Strategy and Resources Committee. Strategic and operational management is centrally provided through the Property and Regeneration teams. Strategic management covers areas including policy formulation, property advice on corporate projects, property reviews, surveys and maintenance of accurate property data and information.

The Council's approach to Asset Management has undergone significant review in the intervening period since the previous Asset Management Plan 2012 – 2016 was approved and the current Strategic Asset Management Plan. An organisational restructure highlighted the importance of elevating both the Corporate Landlord Model and the key role played by the Council's property assets in contributing to the MTFs and the Council's wider place ambitions.

The role of Head of Property and Regeneration was subsequently created, ensuring that among other property related priorities, asset management is championed at a corporate level. This will ensure all stakeholders have a single conduit for all

property and asset management related issues. The post also fulfils the Corporate Property Officer role defined in the former AMP 2012-2016 with responsibility for:-

- Leading the formulation of the Asset Management Plan and identifying a strategy for all property assets
- Pursuing opportunities to enhance the economic wellbeing of the Borough through investment, development and regeneration initiatives
- Identifying, appraising and delivering opportunities for acquisitions in non-operational property in the Borough
- Advising Members and Officers on all property related matters
- Managing 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
- Ensuring that all statutory and best practice requirements related to asset management e.g. creation and maintenance of a list of assets of Community Value are complied with
- Public and private sector liaison in order to achieve partnership working
- Assisting fellow 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

Acquisitions and Disposals

A significant part of the Asset Review Criteria in Section 4 is driven by the theme of questioning the need for continued holding of property assets and which, if sold, could release capital. This would assist the Council's aim is to reduce the maintenance programme to levels which can be fully met within the limits of its revenue funds.

Recently this has become more difficult to achieve because as a result of previous reviews, many of the most saleable properties - those which are better located and easily convertible to residential or business use, say - have already been sold.

When combined with a more challenging economic environment it is obvious that the disposal of surplus property in future is likely to be more uncertain. In this harsher financial climate, opportunities for sale may still arise but it seems probable in the short to medium term that greater emphasis will be placed on good management of existing holdings to ensure that they are maintained and ready for disposal when circumstances are more favourable. This will entail an adequate repair regime, careful management of short term lease provisions and further development of gap analysis and suitability tests.

All acquisitions and disposals are governed by the Council's Investment Property Group (IPG). The IPG was established by full Council at its meeting held on 21 November 2016.

The IPG authorise the acquisition (and disposal where appropriate) of property assets taking account of the overall investment and risk management criteria defined in the Council's Property Investment Strategy 2017-20 (approved at the same November 2016 Council meeting).

The Property Investment Strategy 2017-20 provides a robust and viable framework for commercial property transactions.

The IPG has delegated authority to make property asset decisions and its membership comprises:-

- Strategy & Resources Committee Chairman
- Strategy & Resources Committee Vice-Chairman
- Chief Executive
- Chief Legal Officer
- Head of Property & Regeneration
- Chief Finance Officer

The Chief Executive will call IPG meetings to discuss and respond to property asset opportunities as they arise. The Chief Executive approves the agenda for each meeting and ensures subsequent actions are recorded.

For all property acquisitions and disposals to be considered by the IPG, they must:-

- 1) Achieve a minimum weighted score of 70 from the investment criteria matrix (in the case of acquisitions)

and

- 2) Be accompanied by a full individual business case (in the case of both acquisitions and disposals).

The business case will be prepared by the Head of Property & Regeneration in consultation with finance and legal colleagues. Each potential property transaction will undergo qualitative and quantitative appraisal to establish portfolio suitability and the legal / financial implications of a purchase or disposal. The Head of Property & Regeneration will seek external investment / technical expertise where specialist property market knowledge is required.

All transactions will be subject to full legal due diligence. In the case of acquisitions, this will include building survey, purchase report and independent valuation. In view of the potential value of acquisitions, it is envisaged that the Council will be externally represented for each transaction by a property investment agent and legal adviser.

Regeneration Initiatives and Development

Strategic Asset Management Planning and achieving regeneration priorities are closely aligned. The Council is in a position where it can shape and influence the future prosperity of the Borough, not only through the development and application of policies to support growth and development, but also through directly investing in the Borough through the acquisition, disposal or enhancement of its own assets.

These regeneration priorities are clearly linked to the aims and objectives set out in this Asset Management Plan, and are also underpinned by the Plan E Town Centre Area Action Plan and the emerging Transformation Masterplan.

Economic Cycle

The capital value of assets and the potential income that they can generate is impacted significantly by what is happening in the wider economy. The country has been through a period of modest but sustained growth which has seen large increases in property prices and has provided a sense of stability and greater certainty about rental income.

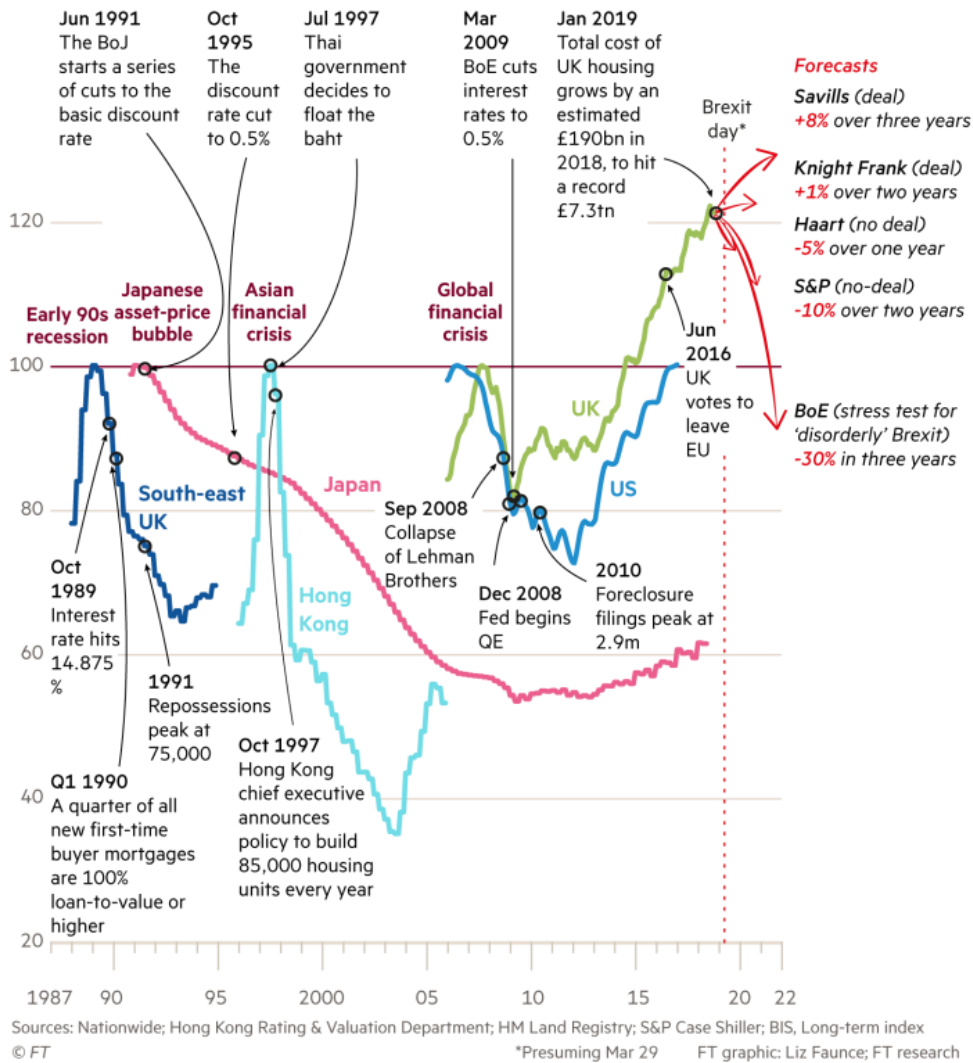
However, in an economic cycle, periods of growth are always followed by periods of market contraction. When this will happen, and how deep or shallow it is, remains uncertain. However, it would be prudent to assume that the timescales covered by this Asset Management Plan will coincide with a period of zero or negative growth in the national economy with the knock on consequences in relation to rental returns and capital values.

The impact of on-going negotiations in relation to Brexit and the consequences of the final path followed, may influence the next phase in the national economic cycle. There continues to be some uncertainty about the nature and timing of this, and with that uncertainty there is inevitably some impact on wider business and consumer confidence levels

This would suggest that the Council needs to continue to take a highly prudent approach to its asset management and asset acquisition activities, build in appropriate margins and contingencies into its forecasts and decision making and continue to make use of sensitivity analysis to explore different rates of return depending on future market conditions.

Property downturns compared: will Brexit trigger another one?

Nominal house prices rebased at peak



9. Conclusions and next steps

The Council holds considerable physical assets and when effectively managed, can be a powerful resource to help deliver the Council's priorities and aspirations.

However, this can only happen if there is an effective Strategic Asset Management Plan that generates the required action, tackles the current and future risks, and grasps opportunities ahead.

What is clear, is that over the lifespan of this Asset Management Plan the Council will rely on a greater proportion of its total income coming directly from the assets it holds. It will also be the case that the Council intends to own more assets than it does now as long as these assets meet the Council's established criteria set out in this plan.

The Council's approach to the management and acquisition of assets has been highly prudent and with the economic uncertainties ahead, this is the right approach going forward. Maintaining a diverse portfolio of assets and keeping a balance between public service, retail, light industrial and office accommodation and a range of uses within these broad categories will also help the Council manage its assets effectively in an uncertain and changing landscape.

As well as generating financial returns, the Council's assets also require ongoing capital and revenue expenditure. For some of the Council's assets the projected level of maintenance spend over the next ten years is very high and potentially unaffordable in the current financial climate and when compared with associated rental revenues being generated. These costs may increase further when factoring in what may be required to address the building's energy efficiency and overall carbon emissions, as part delivering the Council's climate change commitments. As part of this plan, options will be considered for these assets which may include alongside capital investment, re-provision, disposal, or redevelopment

This plan also assumes a greater focus on increasing the utilisation of the Council's operational buildings and with this looking for opportunities to increase income, including income from public sector and commercial tenants, as well as income associated with the delivery of discretionary services such as those provided at the Council's Playhouse Theatre and the Council's Community and Wellbeing Centre.