

ANNEXE 1

PROPERTY ASSET MANAGEMENT STRATEGY 2010 – 2013

Executive Summary

The core principle of corporate property asset management is that all Council property is a corporate resource made available to services solely to support corporate objectives. The Council has a relatively small property asset base, excluding the Council's Housing stock. In spite of this through the proactive management of the Council's property portfolio set out in this strategy it is intended to provide the opportunity to optimise income and capital receipts as well as providing a challenge to the operational efficiencies of holding property assets. A key objective of the strategy is to make a positive contribution to the Council's overall budget in a particularly challenging financial environment.

The key approach will be to undertake regular reviews of all property assets with service heads to assess fitness for purpose, continuing need, contribution to corporate priorities, condition and arising from these reviews the development of a strategic approach for all property assets;

Underpinning this approach are the following priorities:

To maximise the income generated from the Council's property portfolio;

To seek opportunities presented by the recession such as:

- acquiring property at reduced prices to satisfy future need;
- look for assets with income generation potential.

To generate opportunities to co-locate or share accommodation with partner organisations where cost or service benefits can be demonstrated;

To ensure there is a comprehensive and up to date record of property assets held within the Council's Property Terrier system;

To consider tenure other than ownership – such as lease, rent or lease-back – where that gives demonstrably better value; and

To support Waverley Initiatives to maximise activities outside the Council's General Fund and Housing Revenue Account where opportunities exist.

To regenerate the East Street area of Farnham.

Referred to in this strategy is the Housing Revenue Account Asset Management Strategy 2008-2011. This is available on the website and in the Members' Room. There is a separate requirement for this strategy primarily covering the requirements

of the Council's housing stock. The aims of the Property Asset Management Strategy align with and will apply equally to all of the Housing service's non-Housing stock property.

The strategy recognises that there will be individual aims and objectives for each group of assets for example:

- Operational properties such as offices, leisure centres etc will aim to provide appropriate facilities to deliver services for users and customers,
- Income earning non-operational investment property will aim to maximise the return and encourage economic activity in the authority;
- Community assets including recreation grounds, open spaces and commons will be provided and managed to support and enhance the natural environment and the Council's leisure priorities.

PROPERTY ASSET MANAGEMENT STRATEGY 2010 – 2013

Background

With a population of over 116,000, Waverley is located in 133 square miles (218 sq km) of southwest Surrey. The Borough is predominantly rural and, with over 30% of the land covered by trees, is the most wooded area in the country. The Borough contains four principal urban areas, with approximately 72% of the Borough's population living in these centres.

Property is Waverley's second greatest asset after its people. Property can help shape Waverley's its environment, support its communities and manage its budget. The sound, prudent and, above all, imaginative use of its property can make a real difference to the people of this Borough.

Waverley employs around 375 staff and has a relatively small property asset base. Waverley aims only to hold property that is necessary to support the delivery of corporate priorities or that has strategic significance in the regeneration of the Borough. The Council's property assets aim to be suitable and sufficient, sustainable and well maintained.

The table set out in (Exempt) Appendix 1 provides a breakdown of the Council's property assets.

The primary aims of the Property Asset Management Strategy

The Property Asset Management Strategy is designed to support Waverley's Corporate Priorities of:

- Environment - Protecting and enhancing Waverley's unique mix of rural and urban communities
- Improving lives - Improving the quality of life for all, particularly the more vulnerable within our society
- Subsidised affordable housing - Working for more affordable housing to be built, and managing Council housing well
- Leisure - Improving and supporting opportunities for all to take part in sport, recreation and culture
- Value for money - Ensuring all our activities are customer focused and provide good value for money

In order to support these values, the Property Asset Management Strategy seeks to:

- Ensure asset management decisions are reached through member involvement within the Asset Advisory Group, by consulting with ward members and through the committee process;

- Develop Service Asset Management Plans with Heads of Service to review the property portfolio and match it to both service needs and available resources;
- Develop a flexible real estate base to meet changing service needs and evolving methods of service delivery;
- Establish regular rolling reviews of the property portfolio to ensure that it efficiently and effectively delivers value for money both:
 - for operational properties in support of service delivery, including land managed or leased; and
 - for investment properties in support of maximising return;
- Set high standards for the management of assets, including adopting sustainable targets, option appraisals, whole life costings and post-project evaluation;
- Rationalise the asset base of the Council and target investments into buildings necessary for long-term service delivery;
- Protect the Council's property assets from encroachments and unauthorised accesses; and
- Ensure that decisions are taken in a clear and transparent fashion.

These aims are set out more fully in [Appendix 2](#).

Context

The Property Asset Management Strategy draws upon the following guidelines:

“Hot Property” - Getting the Best out of Local Authority Assets (Audit Commission's report 2000)

Making Assets Work - The Quirk Review of community management and ownership of public assets (2005)

Local Authority Asset Management Best Practice (RICS 2009)

Waverley's Housing Revenue Account Asset Management Strategy 2008-2011 ([Available on the Waverley website](#))

Implementation

The role of Waverley's future real estate portfolio structure is to support and influence the changing methods of service delivery in support of Corporate Values. In certain areas, such as the Housing Revenue Account properties, the strategy will also seek to implement legislative requirements through the provision of Decent Homes in the most timely and cost effective manner.

Housing Revenue Account

The Housing Revenue Account's strategic objectives are "*To manage our assets effectively and efficiently making best use of available resources to help meet housing need and residents' aspirations*" (p 6, Housing Revenue Account Property Asset Management Strategy 2008-2011). While following the core values of Waverley's Corporate Priorities, it reflects the requirements of the Government's Decent Homes Standard and the limited Capital and Revenue finances available to Waverley to achieve this. It provides options that will help bridge the gap and meet the strategic aims as set out on page 8 of the strategy.

General Fund

As with all local authorities, Waverley is seeking to modernise and reduce the cost of its General Fund properties while maximising their development potential. This will be achieved through:

1. **Service Asset Management Plans** – in consultation with Waverley's property professionals, service managers are required to consider not just the existing properties they occupy but also the future requirements that they may have, taking into consideration both corporate values and available resources.
2. **Flexible Real Estate** – Waverley should examine its operational property to determine if it should be held freehold or leasehold. Freehold or long leasehold property is appropriate for those properties that are likely to be required by Waverley for the foreseeable future, such as central offices and sport centres. Short leasehold, serviced leases or licences in shared accommodation are appropriate for new services, jointly provided services or ones that are time-limited. Details of the Council's leased properties are attached at (Exempt) Appendix 3.
- 2.1 Flexible real estate also includes actively seeking opportunities to co-locate services with other public service providers and with complementary organisations.
3. **Devolution of Assets as part of the Government's Big Society** – As part of Waverley's contribution towards the Big Society, it will examine its real estate assets and services to see whether town or parish councils or community groups could more appropriately undertake them. However, care would need to be taken to ensure that such transfers did not adversely affect existing services, future development plans or income flows and that any future financial return on the asset stays with Waverley. A business case for the devolution of assets would be part of any decision made by the Council's Executive.
4. **Rolling Reviews** – A programme of regular reviews of Service Asset Plans at least every five years based on the Asset Management Review process will be introduced to ensure that the property portfolio continues to provide best value.

- 4.1 The provision of real estate to support services tends to lag behind the service requirements. These reviews would include discussions by property professionals with services to uncover future property requirements for any service alteration.
- 4.2 The reviews would look at the opportunity cost of retaining the real estate investment property, ensuring that it does not under-perform against alternative investment vehicles. "Hot Property" (p11) recommends that investment property held to fulfil non-financial objectives should be reviewed to ensure that this is the best means of achieving those objectives. Details of the Council's leased properties are attached at (Exempt) Appendix 3.
5. **Disposals** – Through regular updates of Service Asset Management Plans and Rolling Reviews, opportunities will arise to dispose of surplus or under performing properties. In the normal course of events, these properties will be sold on the open market complying with Waverley's Contract Procedure Rules and Financial Regulations. There may be instances where the most appropriate disposal would be to another authority or a community group as set out in 3 above.

Facilities Management

6. In a fast-changing world, local authorities need their property portfolios to aid and assist alterations to their services to meet these challenges. The management of property can help to encourage new ways of working through changes to office and other working environments.

- 6.1 Good quality facilities management is essential for the delivery of services. The performance of Council assets generally would be focused on the following:

- Costs and cost control
- Space use against established standards
- Property service levels
- Suitability and workplace productivity
- Equality and diversity
- Environmental sustainability (including contributing to the Council's carbon Reduction Programme)
- Risk Management (including health and safety)
- Community/Area based outcomes

A set of principles has been established for office space and these are set out in Appendix 4.

- 6.2 There would be a rolling programme to keep the existing asset management plan for Waverley's operational buildings up to date. With growing pressure on budgets, Waverley needs to ensure that adequate and timely maintenance is provided for key buildings. The provision of services within facilities management is, to a great extent, managed by a number of separate contracts, ranging from the provision of photocopiers and drinks machines to

the repair of building structures. These contracts are managed in accordance with Waverley's Contract Procedure Rules and Financial Regulations.

Performance Measures and Benchmarking

7. Data collection and assessment is a key aspect to improving asset management performance. Waverley's attainment in this area will be improved by effective benchmarking with similar district authorities. An initial set of performance indicators for property/asset management is set out in Appendix 5.

Future New Investment in Real Estate

8. According to *"Hot Property" - Getting the Best out of Local Authority Assets*, "best value is unlikely to be served by tying up capital in property that does not deliver or support one of the authority's core services." When considering whether or not to purchase new real estate assets, their value to the overall portfolio and to service delivery needs scrutiny. Property is an illiquid asset with high transaction costs. Unless there are clear corporate reasons for purchasing real estate, alternative forms of investment in property may be preferred, such as in Real Estate Investment Trusts (REITs). However, investment in an asset that will support service delivery, such as in housing land when the market is low, would be an appropriate use of resources.
 - 8.1 Waverley may consider investing in property that forms part of a logical regeneration scheme. Such schemes may be enhanced where other public bodies, such as Surrey County Council and the NHS, have resources that could be joined with Waverley. Work is underway to map the assets of other public bodies within Waverley to see if opportunities for joint working could improve service provision and benefit both parties' property portfolios through sharing buildings and therefore enabling a rationalisation of property holdings.
 - 8.2 Opportunities may arise when Waverley's assets could be "sweated": that is, where alternative uses could be combined with the original use, as, say, the redevelopment of a car park. Waverley needs to be in a position where it can react quickly and effectively to jointly work with the private sector, as and when opportunities arise.

Leadership and Strategy

9. The Asset Advisory Group (AAG) is a corporate group comprising senior service representatives that meets every four weeks to consider primarily strategic as well as current property issues. The Head of Customer, IT and Office Services chairs the meetings, which are also attended by the Property Portfolio Holder to ensure member involvement and by the Deputy Chief Executive.
 - 9.1 The minutes of the AAG are passed to the Corporate Management Team and as appropriate recommendations are made to the Executive and the Council on key decisions.

Joint Working and Co-location

10. The strategy supports joint working with partner organisations to provide improved use of property assets and improved financial returns for the benefit of Waverley's communities.
- 10.1 The Council has been successful in identifying opportunities for shared use with the local community or co-location with other services where this meets joint objectives and this process will continue. Such opportunities will also be a fundamental objective and a pre-requisite for investigation prior to declaring any property asset surplus to requirements.
- 10.2 Waverley is seeking to create joint estates management and procurement initiatives with other local authorities. This is being explored in discussions with neighbouring local authorities in Surrey and beyond.

East Street

11. The Council continues to work towards the regeneration of East Street in Farnham. This is a major mixed scheme of residential and commercial properties, which has planning permission to deliver 239 apartments together with shops, restaurants and a cinema.
12. The current economic climate is affecting the start dates for regeneration schemes across the country and the Council is looking to acquire two pieces of land not currently in its ownership before the scheme progresses.

Property Asset Management Work Programme for 2010 - 2013

13. Appendix 6 sets out the major work streams proposed for the next three years. The guiding principles of the programme are to reduce cost and waste, encourage the efficient and sustainable use of buildings and maintain income streams. The sale of any surplus or underused buildings aims to generate capital sums: however, it should be appreciated both that Waverley's property portfolio is small and that the present economic climate may not maximise returns. This is the ideal time, however, for identifying development opportunities and packaging them for sale when the market improves.

Conclusion

14. The Property Asset Management Strategy has been prepared to reflect what are rapidly changing circumstances for local authorities and the effective and agile use of property assets will be a key factor in reacting to the challenges ahead.

APPENDIX 2

Property Asset Management Strategy Aims

1. Ensure that assets are managed to meet all statutory requirements;
2. Manage assets in the most cost effective way;
3. Maximise income from property assets;
4. Minimise the opportunity cost of holding land and buildings and to protect and optimise the value of Council assets;
5. Dispose of property that is surplus to requirements or not effective in its operational use;
6. Ensure that assets contribute to the process of service improvement;
7. Ensure an explicit, co-ordinated approach to asset management across the authority reflecting service needs;
8. Identify improved methods of managing assets;
9. Manage assets according to best sustainability practices compatible with effective service delivery.
10. Ensure that in settling the terms for disposals or rentals of land and property, the Council will achieve best open market value available unless a Council aim or priority impacts upon the property such as to justify settling lesser terms.
11. Ensure that any disposal of amenity land will include appropriate safeguards by covenant, restrictions or claw back such that the Council benefits appropriately from any enhancements or changes of use.
12. Disposal at less than market value of any property asset should include claw back clauses in respect of potential future redevelopment.
13. Ensure that potential purchasers of land and property (freehold and leasehold) owned by the Council be charged a fee for the transaction based on an assessment of the Council's reasonable legal, surveyor and administration costs.

APPENDIX 4

USE OF OFFICE SPACE

A set of principles have been adopted in respect of the Council's Central Offices to make to best and most cost effective use of office space and to reflect new and more effective forms of working.

The main principles are to introduce or develop:

- Open plan working
- Space being be shared in a co-operative way to minimise duplication of space, equipment, and staff services, and to avoid unnecessary costs
- Hot desking and new ways of working
- Shared printing and office facilities
- Increased home working with appropriate IT and telephone facilities
- Improved customer and reception facilities
- Improved staff facilities
- Replacement of PCs with Thin Client devices
- Co-location with other organisations where appropriate and for cost and or service efficiency reasons
- Reduced operational carbon production

The allocation of space to any service area should not be regarded as permanent and allocations may require periodic justification or realignment.

APPENDIX 5

Property Performance Measures

1. Measure the effective use of office space - Staff per square m GIA of office space
2. Measure efficiency of estates management service and rent collection processes – Current arrears as percentage of income
3. Measure efficiency of estates management service – Percentage of Reviews/Renewals agreed by 6 months after due date
4. Buildings accessible to people with a disability
5. Rate of return (ROI) on investment property
6. Building Condition: Gross internal floor space in condition categories A to D. A new rolling programme of condition surveys is to be implemented.

Condition Categories:

- A: Good –Performing as intended and operating efficiently.
- B: Satisfactory – Performing as intended but showing minor deterioration.
- C: Poor – Showing major defects and/or not operating as intended.
- D: Bad – life expired and/or serious risk of imminent failure

APPENDIX 6

Major Work Streams and Indicative Timetable 2010 – 2013

Priority Work Stream	Timescale	Lead Officer
Review all property assets with relevant service heads to assess fitness for purpose, continuing need and condition.	To end of 2013	Estates & Valuation Mgr Heads of Service
Develop Service Property Asset Management Plans with Heads of Service	To end April 2013	Estates & Valuation Mgr Heads of Service
To develop strategic aims and objectives for each category of property assets	To end of 2013	Estates & Valuation Mgr Heads of Service
Further develop and implement office accommodation review and new ways of working	December 2011	Hd of Customer, IT & Offices
Move to a shared property management service with a partner authority	April 2011	Hd of Customer, IT & Offices
To maintain an up to date record of property assets held within the Council's Property Terrier system and on the Council's Asset Register	June 2011 and on-going	Estates & Valuation Mgr
Reduce energy usage, review sustainability of existing buildings and systems inclu carbon reduction	On-going	Hd of Customer, IT & Offices
Review maintenance programmes and management of Council owned buildings	End of 2012	Hd of Customer, IT & Offices
To produce a comprehensive option appraisal for the future of the Council Offices Bury's site	September 2012	Hd of Customer, IT & Offices
Consider and develop opportunities for office co-location	On-going	Hd of Customer, IT & Offices
Identify assets that may be considered surplus to requirements	To end of 2013	Estates & Valuation Mgr
Consider acquisition of land or buildings in terms of contributing to Corporate Priorities in particular when: <ul style="list-style-type: none"> • the acquisition of an adjoining piece of land or property adds to the value of existing assets; • The acquisition produces a greater financial return than alternative investment options; • The acquisition is required for service delivery purposes 	On-going	Estates & Valuation Mgr
Improve Main Reception area	March 2011	Hd of Customer, IT & Offices
Using our land holdings to influence development in support of corporate priorities	On-going	Relevant Hds of Service & Estates & Valuation Mgr
Consider transfer, where appropriate pavilions and sports facilities to towns and parishes or community groups	On-going	Estates & Valuation Mgr
Complete scheduled rent reviews and lease renewals	March 2013	Estates & Valuation Mgr
To provide open market values for all the Council's assets over and above existing use value	Rolling Programme	Estates & Valuation Mgr
Undertake five year rolling maintenance programme	November 2012	Property Maintenance

