

# Southend-on-Sea Borough Council Corporate Asset Management Strategy 2015-2025

September 2015

Safe – clean – healthy – prosperous – excellent – Creating a better Southend



**DELIVERING EXCELLENCE**

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This strategy ensures that for the period 2015-2025, all the Council’s land and property assets are held corporately and managed strategically to:

- support efficient and effective service delivery
- support regeneration and development and enable the Council to achieve its objectives
- rationalise, develop and improve the portfolio to underpin the capital programme and revenue budget through development, income generation, property acquisition and disposals

It also actively supports co-location and integration with other public-sector partners.

- |                        |                        |                   |
|------------------------|------------------------|-------------------|
| ◆ Regeneration         | ◆ Statutory Compliance | ◆ Diversity       |
| ◆ Investment           | ◆ Property Development | ◆ Rationalisation |
| ◆ Income growth        | ◆ Community            | ◆ Co-location     |
| ◆ Economic Development | ◆ Sustainability       | ◆ Heritage        |



# SOUTHEND-ON-SEA BOROUGH COUNCIL

## CORPORATE ASSET MANAGEMENT STRATEGY 2015-2025

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## INTRODUCTION

This strategy sets out, at a high-level, the direction for Southend-on-Sea Borough Council's (the Council) management of its land and property assets for the period 2015-2025.

It is not intended to deal with the detail of individual properties, rather set the strategic direction, policy and governance arrangements for property related decisions to be taken whilst providing sufficient flexibility to respond to rapid service changes and property demands, market forces and individual property considerations.

It also sets out for the first time the parameters around building a property investment portfolio to build a long term sustainable income stream.

### 1.1 About Southend-on-Sea

The Council's [Corporate Plan](#) provides a detailed summary of the key demographic and economic facts on Southend-on-Sea and information about the Council's corporate performance and priorities. It is updated annually.

Southend has been a unitary authority since 1998. The Council operates across 17 wards with 51 elected seats and retires in thirds. The Council has adopted the Strong Leader and Executive (Cabinet) model of governance.

Southend has good transport links to London with 9 railway stations on 2 mainlines linking to Liverpool Street and Fenchurch Street. London Southend Airport has been the fastest growing airport in the UK in recent years and provides numerous links<sup>1</sup> across Europe and beyond.

Southend is home to number of important national companies and significant employers, particularly in banking and education. There is also a cluster of medical and aviation engineering businesses and these are key growth sectors.

The University of Essex and South East Essex College supplement a number of high performing schools in the Borough and strive to develop local skills. Not all schools are high performing and some present particular challenges. Some areas are under pressure for school places.

The Borough has over 8.5 miles of coastal defences. Its coastal exposure supplements the cultural and environmental draws which make tourism and service industries key to the success and growth of the Borough which is a significant regional economic growth area within the South East Local Enterprise Partnership (SELEP) and Thames Gateway South Essex (TGSE).

Some key facts about Southend-on-Sea are below:

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<sup>1</sup> The Airport supports 19 routes in April 2015

- Southend has 177,900<sup>2</sup> residents in 79,190<sup>3</sup> households of which Southend Council's Housing Revenue Account (HRA) accounts for 6,070 properties and other Registered Social Landlords provide a further 3,250 properties (figures at July 2014). The management of the Council's residential HRA properties transferred to the Arms-Length Management Organisation, South Essex Homes Ltd. in 2005. Freehold ownership remains with the Council.
- Estimates show around 25% of the total housing stock is rented (11.7% Social Housing and 14% Private Rented). This is expected to grow.
- There are significant differences between affluent and deprived areas with some pockets of deprivation being within the 10% most deprived in the Country.
- There is a higher than average proportion of over 65's.
- The Council Tax banding of residential properties is disproportionately low with around 70% of housing in Bands A – C.
- The Borough has a relatively low skill base which is a significant factor for average incomes which are also low and in the lowest 40% in the country.

Southend is not generally an affluent area with average property prices being below both regional and national average levels. There is great difference between the more and less affluent areas.

## 1.2 Organisational Context

Asset management, regeneration and capital investment maintain a high profile within the organisation. The strategic value that public sector assets can offer is well appreciated. The Property functions for the Council are delivered across the Asset Management, Property and Regeneration, Facilities Management and Energy teams.

The Council operates its property through the principles of a corporate landlord model with all property 'owned' by the centre as a corporate resource.

The Council also has its own limited liability partnership (LLP) to assist in the facilitation of property related projects. PSP Southend LLP was established in 2011.

## 1.3 Local, Pan-Essex and Regional Context

The Asset Management Team plays an active and leading role in wider initiatives with active membership of the Essex Professional Advisory Group (PAG), Essex Property Partnership Board, East of England Asset Management Network and [East Region Association of Chief Estates Surveyors \(ACES\)](#). These groups are active networks and provide opportunities to share good practice and innovative solutions to common problems across the public sector.

<sup>2</sup> [ONS 2014 Mid-year estimates \(increase of 1.2% on 2013, 87,200 Male, 90,700 Female - www.ons.gov.uk \)](http://www.ons.gov.uk)

<sup>3</sup> 2014 Council Tax Billing Records



During 2014/15, Southend played a founding role in the concept, project management, procurement and launch of the [Essex Property Asset Map \(EPAM\)](#) which is a portal for the publication of all Essex public sector property information. The project has levered in funding for [One Public Estate](#) Locality Reviews through the Government Property Unit (GPU) and the Local Government Association and is now assisting with the identification and delivery of a pipeline of projects across Essex targeted at estate rationalisation and housing delivery. EPAM is also assisting all the partners in meeting the data publication requirements of [The Local Government Transparency Code 2015](#).

EPAM has already led to rationalisation of clustered services in parts of the County and identified, through One Public Estate Locality Reviews, a number of development and housing opportunities and it is hoped that further opportunities will arise.

The Council also has Asset Management Representation on the South East Essex Strategic Estates Group (SEE SEG) which is a health-led initiative seeking to ensure that the health estate is fit for purpose and to capitalise on co-location and shared service delivery opportunities.

#### 1.4 Key Metrics for the Property Portfolio

The Council owns c.935 rent generating non-HRA tenanted properties including 500 beach huts. It includes industrial, retail and agricultural property, together with a number of ground rents interests.

The Asset Management Team has managed this portfolio internally to deliver the following results in terms of revenue and capital generation over the last 4 years:

**Rental Income** – increases driven through rent reviews, lease renewals and new leases / agreements:

	2011-12	2012-13	2013-14	2014-15
Rental Income	£1.78m	£1.96m	£2.18m	£2.48m <sup>4</sup>
Increase year-on-year	+£0.15m	+£0.18m	+£0.22m	£0.30m

**Capital Receipts** – delivered through transactions such as lease re-gearings/extensions, lease premiums, freehold disposals, covenant releases:

	2011-12	2012-13	2013-14	2014-15
Capital Receipts	£1.26m	£0.89m	£1.87m	£0.55m
Revenue implication <sup>5</sup>	(£94.5k)	(£66.8k)	(£140.3k)	(£41.3k)

<sup>4</sup> Note this figure includes the income from the HRA to the General Fund from South Essex Homes' rent of space in the Civic Centre.

<sup>5</sup> Revenue implication is calculated using a borrowing cost of 7.5%. Figures in brackets indicate a saving.

## 2 ASSET MANAGEMENT STRATEGY

The purpose of this strategy is to enable the alignment of the asset base with the organisation's corporate aims and objectives and to ensure that progress continues to be made towards the land and building assets being optimally structured in the best interests of the organisation<sup>6</sup>.

The key areas<sup>7</sup> for successful asset management planning are the maintenance of a strong corporate culture in the authority alongside strong leadership and recognition of the importance of strategic asset management by senior officers and members.

The establishment of a vision and a set of core principles is therefore important.

### 2.1 Vision and strategic aims

The Council has embedded a vision of a safe, clean, healthy and prosperous Southend and the ambition of excellence in its own activities. The Corporate Asset Management Strategy 2015-2025 (CAMS) is a key part of the complex suite of policies that guide the work of the Council in achieving this vision and managing its budgets.

The Council holds assets strategically and manages them corporately for three reasons in support of the Council's Vision. These are:

- To support efficient and effective service delivery
- To support regeneration and development and enable the Council to achieve its objectives
- To rationalise, develop and improve the portfolio to underpin the capital programme and revenue budget through development, income generation, property acquisition and disposals

The Vision is already established through previous Asset Management Plans. It has been reviewed by the Senior Leadership Team during 2014 and is slightly updated to enable targeted property investment.

The Government urges local authorities to release surplus property: where possible and practical the Council will however seek to retain freeholds. If it cannot be demonstrated by appraisal that an asset is held in support of one of these reasons, a review of the asset is likely to result in recommendation for alternative use or disposal.

The CAMS and its delivery also support the Aims in the Corporate Plan, a number of which relate directly to the built environment.

### 2.2 Core Principles

The Core Principles adopted to achieve this vision are slightly different for properties used for service delivery (Operational Properties) and those which are held for other purposes (Non-Operational Property).

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<sup>6</sup> Adapted from "Building on Strong Foundations, A Framework for Local Authority Asset Management" has adapted the Royal Institution of Chartered Surveyors (R.I.C.S.) definition of asset management which was included in the R.I.C.S '2008 Public Sector Management Guidelines'.

<sup>7</sup> 'The Evaluation of Corporate Capital and Asset Planning in Local Authorities', which was produced by York Consulting in 2007 and commissioned by C.L.G.

## Core Principles for Operational Property

- Use as little property as possible for service delivery
- Use what we need to use efficiently
- Share it (and the cost) where possible
- Make sure it's fit for purpose
- Keep reviewing its use
- If it's no longer needed – say so and plan ahead to release it (when it becomes Non-Operational Property)
- Encourage energy saving and/or generation opportunities

## Core Principles for Non-Operational Property

- Retain freeholds unless the case for disposal is clearly better
- Generate sustainable long term income where possible through development and property investment.
- Look for opportunities to rationalise yet retain and improve income
- Reduce management burden and maintenance costs on the Council
- Consider community use, housing and alternative uses to meet Corporate Priorities

## 2.3 Corporate Landlord Model

The Council 'owns' all property assets corporately. Whilst buildings are used for service delivery across service areas, and the day to day budgets and management tasks generally sit within the service teams, property ownership remains central and when the need for a property to be used for service delivery ceases, the property is returned to the corporate centre through a properly planned exit strategy and with the relevant property budgets relating to that property.

The Asset Management is therefore very deliberately a Corporate Services function and the governance structures articulated in Section 3 – GOVERNANCE are built around the Corporate Landlord Model.

Similarly, Capital is managed corporately through the Capital Strategy and aligned closely with Asset Management. Whilst asset rationalisation may well be a key component of business plans for capital investment, bids for new capital must be made to the corporate centre where property decisions are also taken and disposal receipts collected.

## 2.4 Service strategies and plans

Service areas are encouraged to carefully review and consider their use of assets as part of service planning applying the Vision and Core Principles set out in this Section of the CAMS.

Whilst the Asset Management Team has a good working knowledge of the portfolio and is aware of most planned property investment, rationalisation or exit plans, it will always be happy to assist with property reviews, challenges and the property implications of service change and should be actively consulted from an early stage.

For example, the Asset Management Team:

- has recently supported New Ways of Working to deliver savings of £945k p.a. from the base budget as a result of the investment in the Civic Centre and Civic 2 which have enabled the release of Queensway House, 283 London Road and 93-99 Southchurch Road.
- has supported Children's Services in a review of property leading to an investment of £225k in 2 Crowborough Road and Allan Cole House to release the Marigold Centre and Focus House for sale and demolition/redevelopment respectively.
- put in place the tri-partite agreement with the University of Essex and South Essex College for 'The Forum: Southend' land and leasing transactions.
- is supporting Adult Social Care in the review of buildings and services delivered from Avro, Viking, Priory and Delaware with a view to delivering a new combined facility on a single site and releasing all the other land for development and income/capital generation and housing delivery.
- is supporting colleagues in Education through strategic reviews and a series of linked property transactions aimed at providing more primary and secondary places and improving schools assets, potentially including consolidation, disposal and acquisition of school assets.

## **2.5 Shared services, assets and joint working**

The Council has numerous examples of co-delivered or shared services and of sharing assets and joint working in line with one of the Core Principles set out above.

The best examples are 'The Forum: Southend' which was jointly commissioned, funded and built by the Council, the University of Essex and South Essex College to deliver the first fully integrated public and academic library in the UK along with modern teaching, library and gallery space. The Forum: Southend won the RICS East of England Design Award in 2015 in the Community Benefit category and is shortlisted for the national award.

Since the completion of New Ways of Working, space on the Civic Campus has also been let to South Essex Homes and Essex Police bringing in c.£236k p.a. Discussions are underway with other public sector organisations to share further space. There are service collaboration, financial and strategic benefits to sharing space which the partners can jointly realise and share.

The Council will actively explore opportunities to share space, or make space available for partner organisations in co-location with Council services where the business case supports doing so and there are benefits to be secured.

## **2.6 Asset Categorisation**

For financial accounting purposes, the Council is required to categorise its assets. This is also necessary to ensure effective management of the portfolio.



There are several pre-determined primary categories<sup>8</sup>. They are Investment Assets, Assets Held for Sale, Property under Construction, Property Plant and Equipment (PPE) and Trust Assets. Further information about the categorisation of Assets is set out in [Appendix 1](#).

## 2.7 Estates Strategy

This strategy is forward looking and covers a ten year period. The Estates strategy covers the principles for the day to day management of the estate is therefore an important part of the overall Asset Management Strategy and must follow the Vision and Core Principles set out above.

Looking forward, the focus must be on rationalisation and improvement of the existing portfolio and, where appropriate, redevelopment, disposal and reinvestment to continually drive improvements in environmental sustainability, service delivery, opportunities for shared space, asset and overall portfolio value and perhaps most importantly, long term rental income.

The Estates Strategy must therefore follow the Core Principles for Operational and Non-Operational Property set out in Section 2.2 above and opportunities to improve returns, reduce management burden and improve the stock should be exploited.

In the case of Operational Property, continual review in line with service delivery requirements is imperative, ideally as part of service planning, to ensure that property is fit for purpose for service delivery and that surplus property is identified and managed appropriately to achieve rationalisation.

Surplus property can be used to support regeneration, generate income or capital, promote development, deliver housing or employment or for other beneficial purposes in line with the Council's Corporate Priorities.

In the case of Non-operational property, in order to achieve these outcomes, actions such as the following will be taken:

- When leased property is vacated, options should be considered including re-letting, redevelopment or disposal
- At lease events such as lease renewals, assignments and break dates, opportunities to ensure tenant covenants have been complied with should be used.
- In some cases, where appropriate, simple review mechanisms such as index linking should be considered to reduce the time and cost of dealing with disputes over market value.
- Opportunities for lease re-gearing, extension, surrender and renewal should be actively explored to improve income security, encourage investment in property, generate premiums without freehold sale, generate fee income and improve rental income.
- Where the level of work required is disproportionate to the likely outcome, cases should be de-prioritised or alternative long term solutions looked at, including disposal. For example, access licences, garden licences, low value lease renewals where the potential to increase income is minimal and the reasons for holding the assets are unclear or out of kilter with this Strategy.

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<sup>8</sup> IFRS, SORP

- Where income is very low yet capital values could be significant, and there is little strategic benefit to retaining ownership (for example in the case of some ground rents), disposal and/or reinvestment in alternative income generating assets should be considered.
- Where tenants fall behind on rental payments, action must be taken quickly to avoid the build-up of arrears. This may include bailiff action or repossession. Payment plans, other than in the very short term, should be avoided as they generally lead to arrears building up rather than being cleared.

## **2.8 Maintenance Strategy**

Property maintenance budgets are centralised and managed through the Property and Regeneration Team, which places most orders for property maintenance, monitors condition of the operational portfolio and undertakes planned and reactive maintenance on behalf of the Council.

In practice, due to budgetary constraints, with the exception of statutory compliance testing and checking, most maintenance work is now reactive with proactive maintenance being dealt with through the capital programme as part of wider enhancement/improvement/replacement projects.

This approach is not ideal and does carry significant risk. The aspiration should be to move to a cyclical maintenance programme where maintenance is around 70% planned and 30% reactive. This would however require significantly increased staff and financial resources and is unrealistic at the current time. The best approach is therefore to seek further rationalisation of property so that the amount of property to be maintained is kept to a minimum and the retained property can be better invested in. The current budgetary arrangements simply do not enable a proactive planned property maintenance programme to be prepared or delivered.

Where possible, the responsibility/cost for repair and maintenance is shared with partners in operational buildings and is delegated through leasing arrangements to the Council's tenants in respect of non-operational property.

During the plan period, provision will need to be made to refresh condition surveys on the portfolio to fully understand the backlog maintenance liability and plan over several years to manage risks and deal with important maintenance items proactively for all assets to be retained but especially in the case of assets used regularly by staff or the public and for heritage assets.

## **3 GOVERNANCE**

### **3.1 Leadership, communication and oversight**

The Corporate Landlord Model requires strong leadership and corporate governance.

At the political level, the Council has adopted the Strong Leader and Executive (cabinet) model of governance. There is an Executive Member with responsibility for Corporate Services which includes inter alia Finance and Resources and Asset Management.

The Council has been structured around four departments: Corporate Services, People, Place and Public Health. Each department is led by a Corporate Director supported by Heads of Service. The Chief Executive retains some directly reporting services.

The Director for Corporate Services is responsible for Asset Management and chairs the Capital Strategy and Asset Management Group (CSAMG) which is cross departmental. CSAMG co-ordinates the Capital Programme and Asset Management activities. The Head of Finance and Resources and the Group Manager Asset Management are members of the CSAMG and provide financial and technical input into discussions and recommendations.

CSAMG meets quarterly and is co-ordinated by the Programme Office. CSAMG reports to Capital Board which includes the Chief Executive, the Leader of the Council and the Portfolio Holder for Corporate Services.

The Cabinet agreed for a Limited Liability Partnership (LLP) to be set up to offer the Authority an additional option to assist with regeneration and the delivery of strategic projects. The LLP is managed through an officers' Operations Board and a Members Board. The model is designed to lever in private funding to enable the enhanced development of Council assets. The LLP reports in to the Cabinet and Scrutiny process as necessary for decisions on key projects. The Council is under no obligation to use the LLP but it is always available as an alternative option where it can be demonstrated that added value can be achieved.

### **3.2 Decision Making and Management**

The decision making structure and leadership at senior level are essential for successful implementation of the plan. This occurs in various ways depending on the project.

- Major projects are overseen by the Corporate Delivery Board and managed by Project Boards and Teams appropriate to the scale of the project.
- Where projects come together to meet an overall aim, these projects are grouped into defined programmes and are formally project and programme managed.
- CSAMG is a cross-departmental all officer group chaired by the Corporate Director for Corporate Services to provide a unified approach to asset management and capital prioritisation. It is attended by staff that have sufficient seniority and authority to make recommendations.

- Capital Board is well established. The membership is outlined in section 3.1 above. Capital Board is not a decision making board but agrees which projects should proceed to Cabinet for decisions and scrutiny or be dealt with under delegated powers in accordance with Part 3 of Schedule 3 of [the Constitution](#) or by Standing Orders as appropriate.
- There are a number of officer working groups which deal with specific programmes, projects and topics, e.g. flexible working, climate change, housing, green forum etc.

This structure ensures a corporate approach to asset management and capital investment and includes Members and Chief Officers at key stages and is well established and embedded in the organisation.

The board structure and decision making process are set out in the flow diagrams at [Appendix 2\(a\)](#) and [Appendix 2\(b\)](#) respectively.

## 4 PROPERTY MANAGEMENT AND PERFORMANCE

### 4.1 Data

Since around 2008, there has been a sustained drive to digitise property information, modernise data systems and map assets. Significant progress has been made and much of the data is now publicly available through EPAM. There remains, and will always be opportunities to improve and enhance data and to use it to provide intelligence information to inform decisions. EPAM also provides a collaborative means of complying with the [Local Government Transparency Code 2015](#) and its requirements around publication of asset data.

The Asset Management Team has worked with the Information and Communications Technology (ICT) Team to develop an excellent electronic Geographical Information System (GIS) system (ATLAS Assets) which holds the Council's ownership, deed packet, terrier, and property register sheet data. The legal team has completed the first registration of the Council's property deeds and the ATLAS Assets system also holds the Council's registered land polygons.

The Council's Assets and GIS teams played leading roles in the establishment of EPAM which has also provided an insight in to the data quality and availability at all our neighbouring authorities. It would be fair to subjectively place Southend in the second quartile for data quality and availability amongst our neighbours.

There is corporate recognition of the importance of improving and modernising working practices. The Council has completed the introduction of wireless networking, mobile and flexible working practices and unified communications. New Ways of Working Programme has brought these technological elements together with the human resources, business change management, sustainable refurbishment and many other key elements which together have transform the way in which officers work and enabled a number of buildings to be released.

### 4.2 Statutory Compliance

Statutory compliance for operational buildings is managed by Property and Regeneration. There is a dedicated Compliance Officer. Any urgent Health and Safety matters are identified to CSAMG and funding is made available as appropriate to deal with any important matters from the rolling Priority Works Budget which is administered by the Head of Finance and Resources.

### 4.3 Performance data reporting

Three key performance indicators are reported to Corporate Services Departmental Management Team and are included in the performance dashboard. These are:



1. To enhance rental income (2014/15 target, £60k p.a., 2015/16 target £125,000 p.a.)
2. To generate Capital Receipts (2014/15 target, £1m, unchanged for 2015/16)
3. To minimise commercial property voids (2014/15 target less than 5, unchanged for 2015/16)

The Asset Management Team takes part periodically in regional benchmarking, usually through CIPFA to check performance against other authorities.

#### **4.4 Environmental Sustainability**

The Council's Energy Management Team collect and monitor energy data across the portfolio and promote energy saving and generation opportunities.

The Council has signed up to an Energy Performance Contract Pilot Scheme with Honeywell. This will introduce a pipeline of energy related projects with pre-agreed savings associated.

The Council has also launched an energy partnership working with Ovo Energy to provide competitively priced energy tariffs to residents.

The Council is also looking at a number of self-delivery projects which are examined on a case by case basis and any capital is allocated through the CSAMG / Capital Board / Cabinet or delegations route on a case by case basis.

Legislation in this area is evolving and is likely to be one of the key considerations in planning portfolio enhancement and acquiring investment property.

## 5 PROPERTY PORTFOLIO ENHANCEMENT

### 5.1 Supporting the capital strategy and medium term financial strategy

Capital investment is carefully planned and monitored by CSAMG and is prioritised against the overall Council objectives. It is reported to Capital Board and Corporate Management Team as part of the development of the Capital Programme which is agreed annually as part of the Budget setting process.

Projects for which a sound business case has been established and which meet the Council's objectives are prioritised by the Programme and Project Office. In developing the Capital Programme, needs are balanced through a set of formally agreed priorities, being:

- **Statutory and legislative requirements** in the provision of services, including health and safety matters. These schemes form a first call on available resources.
- **Improvements and capitalised works.** Property condition surveys are used to inform decisions in developing the maintenance programme. The condition of the fabric of property needs to be maintained and continually improved.
- **Rolling programmes**, which cover more than one year and relate to the Council's medium term objectives as set out in the Medium Term Financial Strategy.
- **Other desirable schemes**, which meet the Council's needs and objectives as set out in the Corporate Plan.

To support capital investment, property disposals are considered through the Capital Strategy and Asset Management Group and Capital Board process unless, as is often the case with acquisitions, disposals and urgent investment, more speedy action is in all respects prudent in which case Standing Order 46 may well be used and later reported to Cabinet.

### 5.2 Commercial Property Investment Strategy

There is good potential for the Council to secure and maintain long-term growing income streams and capital appreciation through an active property investment strategy.

The Council can build and manage an investment portfolio under the general power of competence set out in Section 1 of the Localism Act 2011. In accordance with this Act, the Council has all the necessary powers to purchase assets inside or outside the borough (or the UK) and manage them for investment and commercial gain.

If the Council is to optimise its existing investment assets and to build the portfolio then assets which are held for investment purposes need to be identified and managed a-politically and strictly as investment assets. The investment portfolio will require active management in terms of acquisition, management and disposal decisions. Decisions will need to be made commercially and often quickly and

efficiently and the Council's Constitution already delegates authority to the Head of Finance and Resources "to take all steps that are considered appropriate for the administration of the financial affairs of the Council including...to borrow and invest...." These investments are therefore a logical application for those powers which will be enacted by the Head of Finance and Resources and will be reported in the Head of Finance and Resources' quarterly treasury management report to Cabinet.

An objective set of criteria need to be used to identify and grade potential investment acquisitions and guide the management of the investment portfolio. The acquisition and management of a portfolio purely for investment purposes will require specialist advice which will be procured in accordance with the Council's Contract Procedure Rules.

The Council's finance team will also be consulted on potential investments and will need to ensure that the Capital Programme is updated promptly following any investment decisions.

### **The Purpose of the Investment Portfolio:**

The principle is that the Council wants to build a balanced, low-medium risk, long-term income stream through a property investment programme.

Investments should therefore be in good quality and with reasonable or good environmental credentials and sound tenure. The buildings should not require substantial capital investment beyond the purchase costs in the short-medium term. The lease(s) must provide for a good income stream from sound tenant(s) on a sensible, commercial lease(s) and hold good prospects for future rental and capital growth.

Properties should be attractive in the market and capable of assignment, re-letting or sale without difficulty. Investments should be actively sought inside and outside the Borough and assessed on their merits.

The recommended criteria for assessing potential investments are set out in [Appendix 3](#):

To give the portfolio some perspective and an initial target, the table below gives an indication of the return on investment which can be expected at a spectrum of likely yields. This is based on an initial income target of £1M p.a. to be achieved by March 2018:

<b>Net Annual Return Required</b>	<b>Yield</b>	<b>Capital Investment Required</b>
£1m p.a.	5%	£20m
£1m p.a.	6.5%	£15.38m
£1m p.a.	8%	£12.5m

Therefore to build a portfolio which returns c.£1m p.a. after costs of acquisition and management is likely to require capital investment of around £12.5 – 20m. It is important to recognise that lower yields represent lower risk therefore the portfolio needs to be balanced to deliver a good return within an acceptable risk profile and the business case considered on a case by case basis before acquisitions are made by the Head of Finance and Resources.

Revenue generated can support meeting the Council's Revenue Budget gap.

With the Treasury Management Team, external advisers and the Head of Finance and Resources, various borrowing options will be carefully reviewed as part of the investment decision to ensure that the net rental return is better than the financing cost plus the standard investment rate and the yield appropriately reflects the risk. Opportunities available to invest in property shares should also be considered as part of a balanced portfolio as these will usually offer greater liquidity; less management cost and a well-spread risk exposure.

### **5.3 Property improvement and development (capital investment and maintenance)**

With owning and occupying property comes a responsibility to manage, maintain and invest in it to ensure that it remains safe, fit for purpose and appreciates, or at least maintains its capital value.

The Council's process for the consideration of new capital bids for investment in property is set out in section 3 where capital bids go through the CSAMG to Capital Board and on to Cabinet for consideration for inclusion in the capital programme.

As a result of the revenue position outlined in section 2.7, there are latent demands on capital and some of these could become urgent and need swift attention. For this reason, the Council maintains, under the delegation of the Head of Finance and Resources, a capital budget for priority works each financial year. Out of this, £100,000 is delegated to the Group Manager Asset Management. This budget may be applied to any part of the property portfolio (except the HRA).

### **5.4 Property disposal and capital generation**

The Council maintains a general preference to retain property assets where doing so has strategic benefit in terms of regeneration or influence, or where there are good opportunities for the generation of long term income streams. Nevertheless, the Capital Strategy and Medium Term Financial Plans assume some capital receipts will be generated and indeed, disposal sometimes is the most sensible and financially prudent course of action.

The test should be whether the cost of capital investment to generate a sustainable income stream together with the costs of managing that income stream and the risks

associated with it outweigh the benefit in financial terms of taking the capital out and using it to pay down borrowing or for reinvestment in alternative assets.

If there is greater benefit in taking out the capital out for reinvestment or to reduce borrowing costs then a recommendation to sell the asset is likely to be made. Indeed, disposals offer a means of generating capital which could be applied to building an investment portfolio or improving the residual stock without adding to borrowing.

Any disposal of land needs to comply with the S123(1) of the Local Government Act 1972 which empowers a principal council to dispose of land held by them in any manner they wish subject to an obligation to achieve the best consideration that can reasonably be obtained.

Occasionally the Council needs to consider the disposal of land which is designated as Open Space. This process includes advertising potential disposals and **Appendix 4** sets out the Guidance and Process for such disposals to ensure adequate consultation and that the statutory process is clearly followed.

The Council does have some discretion afforded through General Disposals Consents to consider disposals at less than best value under certain circumstances and **Appendix 5** sets out the Council's approach to applications.



## **6 REGENERATION AND ECONOMIC SUSTAINABILITY**

### **6.1 The role of the Council and its assets**

The Council is committed to working in partnership with public and private sector partners and through the Public Sector Partnership LLP to deliver regeneration, housing and development and to support the delivery of the Local Development Framework (LDF).

### **6.2 Strategic Priority Areas**

As part of the LDF, the Southend Central Area Action Plan (SCAAP) seeks to create a framework which is both exciting and deliverable.

The SCAAP area is defined around the core spine of Victoria Avenue, the High Street and Seafront; extending from Milton Road in the West to Queensway in the East, and as far as Harcourt Avenue/Carnarvon Road in the north, and the southernmost extent of the Pier and associated foreshore area to the south.

Within the SCAAP, The Council has identified the following areas as the priorities for this plan period and projects on each of these are underway:

- Queensway for housing-led regeneration
- Victoria Avenue for housing, employment, culture and public realm improvements
- Seaways for Leisure and housing development
- Phase 2 of 'The Forum: Southend' for cultural enhancement

The Council is leading the regeneration of these areas and using its land assets and influence to bring about positive change.

The Council is also fully committed to the delivery of the Airport Business Park within the Joint Airport Area Action Plan (JAAP) and has appointed Henry Boot Developments Ltd as its development partner for this major employment scheme which will be on site during 2016 and is expected to be developed over a 10 year period. This project is primarily targeting economic development and employment generation and will include an innovation centre focusing on medical and engineering innovation and business growth in these sectors.

There are also major projects with significant property implications underway around the construction of a new Adult Social Care Village and associated projects arising from the rationalisation of released properties; there may well be a strong role for PSP Southend LLP in some of these.

The provision of schools places remains a challenge for the authority and, during the plan period, there are expected to be a number of acquisition, reorganisation and expansion projects to ensure the places provided are sufficient in number and quality across the borough.

Supporting and enabling a full range of high quality educational opportunities and ensuring that economic development supports and enables the creation of significant numbers of good quality jobs are very important to the economic sustainability of the borough and its position in the regional economy and beyond through road, rail and air links via London Southend Airport.

The Council's assets can therefore play a vital role in enabling regeneration to deliver the much needed housing, jobs, economic sustainability and improved cultural and leisure offer essential to a long term sustainable and balanced economy, aligned to the Council's aims and corporate priorities.

## 7 BACKGROUND PAPERS

The Council's rich suite of policies and documents will have varying relevance to particular sections of the plan and the general management of assets and associated decisions. The core reference documents are however as follows:

- Local Government Act 1972, General Disposals Consents, Localism Act 2011 and other legislation as applicable.
- The Council's Revenue and Capital Budget
- Medium Term Financial Strategy
- Capital Strategy
- [Assets of Community Value](#) - The process and associated documents are held on the Council's Website
- The Local Development Framework, the Joint Airport Area Action Plan (JAAP), emerging Southend Central Area Action Plan (SCAAP) and other town planning documents
- Housing and Economic Regeneration Strategies
- Service Plans

## 8 APPENDICES

### 8.1 Appendix 1- Asset Categorisation

The Asset Categories are defined as follows:

- a) Investment Assets are assets held solely to earn rentals, or for capital appreciation, or both.
- b) Assets Held for Sale are those which have been positively identified and marketed as such.
- c) Assets Under Construction are those where construction work is underway and the assets are only part constructed.
- d) All other land and buildings fall in to the PPE category; except
- e) Trust Assets are assets which the Council holds in Trust

Whilst Investment Assets, Assets Held for Sale, Assets Under Construction and Trust Assets are self-explanatory and do not require further elaboration here, there are several sub-categories under PPE.

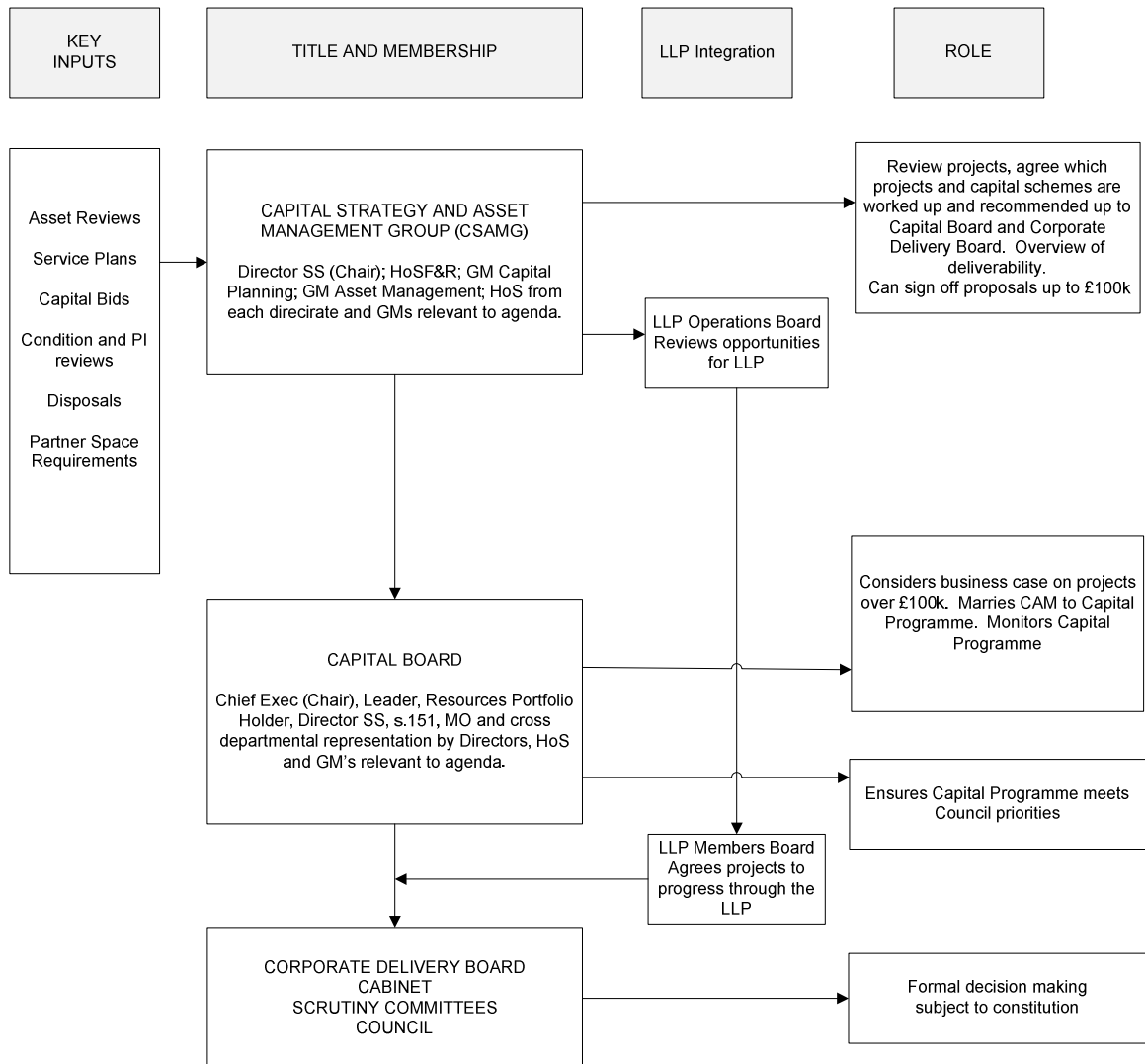
PPE is further broken down to include both Operational and Non-Operational assets and all other assets, plant and equipment owned by the Council. It includes for example furniture, computers, vehicles etc. For the purposes of this CAMS, this section only deals with land and property assets.

**PPE - Operational Assets** are land and property assets used by services in the delivery of services. For example assets such as the Civic Centre, Tickfield and other administrative locations, Libraries, Community Schools, the Crematorium, non-trust Parkland, Beaches, Highway land and Housing Stock.

**PPE – Non-Operational Assets** are land and property includes commercial property which is not held for investment as defined above. For example, this category includes:

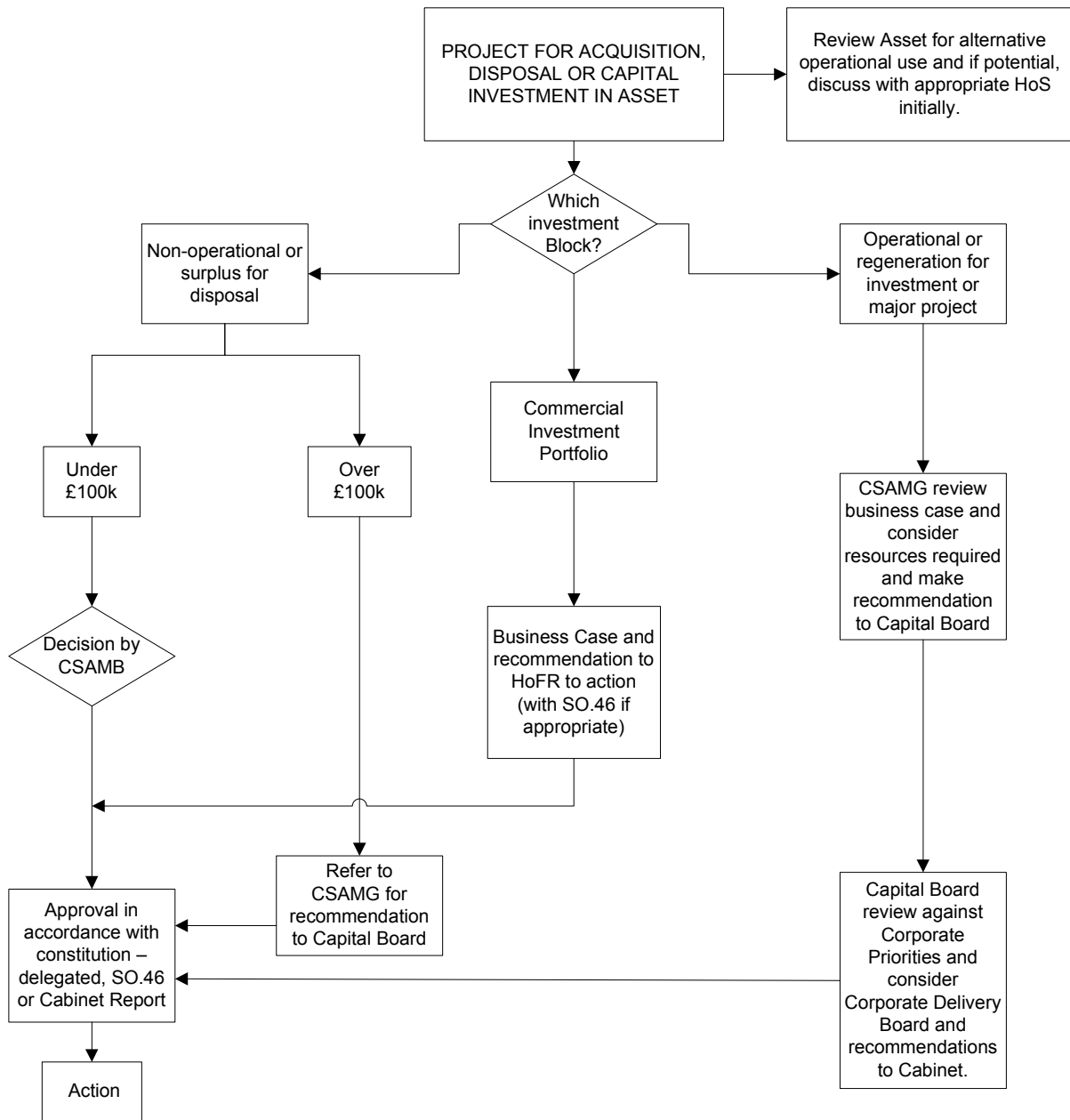
- property such as cafes in parks or seafront property or property held for regeneration, all of which could be generating income for the Council but are also supporting leisure, tourism or enhancing open space or the public realm or providing the Council with control in other ways.
- miscellaneous holdings such as non-highway verges, retained ransom strips or access land, telecommunications tenancies, substations and beach huts.
- Most assets held for community use

## 8.2 Appendix 2(a) Board Structure and roles





### 8.3 Appendix 2(b): Decision Making Process:



## 8.4 APPENDIX 3 – Investment Property Selection Criteria

Criteria	Scores High	Minimum Criteria	Weighting
Income	Long lease(s) Good review frequency and methodology Remote, or no breaks Low vacancy history Low risk and low cost management Good reversionary opportunities	Min 5 years certain 10 yearly Minimum yield met	25%
Tenant(s)	Good tenant, strong financial position, good prospect of lease performance. Right location for the business type.	5 years successful trading history with growth. Financial risk score below average Sector important depending on asset type and location.	15%
Location	Consideration in relation to investment growth and management practicalities and cost. Certainly not limited to Southend and preference for out of borough.	Economically sustainable location. 3 <sup>rd</sup> party management considered on right property	10%
Building	Good quality new or recently refurbished building. Energy efficient Low maintenance liability Well looked after Structurally sound	Built or substantially refurbished in last 10 years, others considered by exception depending on lease and location.	20%
Yield	5-9% target yield depending on type and location of property.	3.5% above current investment rate to reflect higher property risk.	20%
Lot-size	High value, low management, good yield, multi-let, average initial yield c.7.5%.	£500k to £10m	10%

Note: These criteria are a guide for selection and exceptions may be considered in special circumstances.

## 8.5 Appendix 4 - GUIDANCE AND PROCESS FOR THE DISPOSAL OF PUBLIC OPEN SPACE

<b>1. Purpose of this Guidance</b>
<p>To provide general information on the Disposal of land held as Public Open Space.</p> <p>“Open Space” means any land laid out as a public garden, or used for the purposes of public recreation, or land which is a disused burial ground; (Town and Country Planning Act 1990 s.336.</p> <p>The obligation to comply with the Act is on the owner of the land.</p>
<b>2. Legislation</b>
<p>Local Government Act 1972 section 123 (2A) (“s.123 LGA”)</p>
<b>3. When it applies</b>
<p>On any freehold or leasehold disposal of Public Open Space. There is no minimum size or lease-term. Technically easements and wayleaves are also caught although statutory powers often cover these.</p> <p>One-off licences or very short term agreements which create no legal interest in land may be exempt, as may sponsorship agreements.</p>
<b>4. The Decision Making Process</b>
<ol style="list-style-type: none"><li>1. Once terms are agreed in principle for a disposal of Public Open Space, the relevant officers and Executive Councillors for the land (Parks, Foreshore, Highway, Housing etc.) and for Corporate Services will be briefed to check that they are in principle supportive of the proposed disposal subject to advertisement. Ward members will be notified seven days before an advertisement is placed; this will not apply if Cabinet has endorsed the principle as members will already be aware.</li><li>2. The Council is obliged to comply with s.123 LGA as follows:<ol style="list-style-type: none"><li>(A) It must give notice of the intention to dispose of the land for two consecutive weeks in a newspaper circulating in the area in which the land is situated. The Council will also place the consultation documentation on its website and place a notice on-site. Objectors have 28 days from the date of the first advertisement to raise any objections in writing. This will usually run alongside the planning process so that all the information is in the public domain at the same time to give context; and</li><li>(B) Following the consultation period, the Council must consider the number and nature of objections and have regard to the nature of the case and decide whether objections should be considered at Executive Councillor (Portfolio Holder) level or by Cabinet and the case presented and determined accordingly.</li></ol></li></ol>

Note: there is no obligation to act on objections although they must be appropriately considered where received within the relevant period.

3. The parties identified in connection with 4.1 above will be briefed again following the consultation

4. The decision will be made either:

- (i) In the case of no, or very limited objections by the Director for Corporate Services in consultation with the portfolio holder for Corporate Services using Standing Order 46 to record the decision which can then be actioned by completing the proposed transaction.
- (ii) In the case of a significant number or any substantive objection, by the Cabinet and Scrutiny Process.

## **5. Costs**

As a general rule, the party requesting or requiring the disposal will meet the costs. This would usually be the tenant or purchaser.

Likely cost elements will include:

- Advertising costs and disbursements
- Officer time incurred in dealing with the process including dealing with any objections; and
- Officer time, costs and disbursements in dealing with the actual disposal

An estimate of costs will usually be provided for the work involved on each specific case.

## **6. Risks**

The main risks are:

1. A decision not to progress with the disposal on the basis of objections received
2. Increasing costs if the case is, or becomes, complex or protracted
3. A challenge to the decision or the decision making process

## **7. Timing**

The process can run at any time however it is usually beneficial to run it in parallel with a planning application (if one is required) to make sure the context is well set.

See also section 5 above.

## **8. Contacts**

Asset Management, Corporate Services Department  
Southend on Sea Borough Council, Civic Centre, Victoria Avenue  
Southend on Sea, Essex, SS2 6ER  
01702 215000 . alanrichards@southend.gov.uk

## **8.6 APPENDIX 5 - Community Asset Transfer and Disposal of land and property at Less than Best consideration Policy**

### **Annexe to the Asset Management Plan**

#### **1. Background**

- 1.1 Southend on Sea Borough Council has a wide and diverse asset base. The Council holds assets strategically and manages them corporately for three reasons in support of the Council's Vision. These are:
- To support efficient and effective service delivery
  - To support regeneration and development and enable the Council to achieve its objectives
  - To rationalise, develop and improve the portfolio to underpin the capital programme and revenue budget through development, income generation, property acquisition and disposals
- 1.2 Under section 123 of the Local Government Act 1972, the Council has an obligation to obtain the best consideration possible in respect of the disposal of any asset.
- 1.3 There are however occasions when, in particular circumstances, the Council may consider leasing or selling certain premises on terms representing less than the best value achievable where the project offers substantial benefits in terms of the social, economic or environmental wellbeing of the area and these benefits can be evidenced.
- 1.4 The General Disposal Consent (England) 2003 enables such disposals to take place in certain circumstances and provides delegations for Council's to work outside the Local Government Act 1972 requirement to obtain best value.
- 1.5 In order that the Council can evidence an equitable and auditable approach to the consideration of applications for community projects, interested parties must complete a business case using the guidance Appendix 2 of this policy in full and supply evidence where possible.

#### **2. Disposal of Property at less than best consideration**

##### **2.1. Adding Value Through Community Partnership**

The Council will look, through its ownership of property, at ways and means of achieving community and corporate objectives, recognising that 'best consideration' in terms of asset use and disposal is not necessarily always measured simply in financial terms.

##### **2.2 Disposals at Less Than Best Consideration**

Using discretionary powers the Council may, where appropriate in scale and degree, and where compatible with statute and the General Disposal Consent (England) 2003 be prepared to consider disposals of surplus assets at less than best consideration where such a disposal is likely to contribute to the promotion or improvement of the, economic, social or environmental well-being of its area and in particular where

- a community partnership can be entered into based on public access to and use of an asset
- the promoting local body, voluntary group or association is properly constituted and managed and is prepared to enter into an appropriate agreement with the Council; and
- where the difference between the unrestricted value of the property to be disposed of and the consideration for the disposal does not exceed two million pounds.

The Council may, where appropriate, be prepared to enter into agreements with registered community groups, charities or not for profit organisations on such terms. These will be assessed on a case by case basis with the terms of the transaction being balanced against the outputs delivered/enabled: the value of the lease or transfer will be set out as part of the consideration and the outputs and planned investments will be considered in reaching a conclusion on the disposal terms.

### **3. Administrative Arrangements and Decision Making.**

- 3.1 In every case the applicant shall explain and the Council shall certify whether and how the proposed disposal is likely to contribute to the promotion or improvement of the social, economic or environmental well-being of the Council's area.
- 3.2 In every case the Council will certify the opportunity cost. This will be the unrestricted value of the property being disposed of less the actual receipt. The General Disposal Consent requires these values to be expressed in capital terms. If the Council feels that independent valuation or other professional services are required then the costs may be on-charged to the applicant at the Council's discretion.
- 3.3 In accordance with the Constitution, the Corporate Director Corporate Services, the Head of Finance and Resources and the Group Manager Asset Management have delegated authority to dispose of land and property up to pre-agreed limits.
- 3.4 In the case of any disposal of any land or property at an undervalue, the Corporate Director Corporate Services and Head of Finance and Resources (s.151 Officer) must approve the proposed terms of the disposal, and in cases where the capitalised difference between the proposed rent or sale price and the unrestricted value exceeds such sum as shall be specified in the Constitution at that time, the Cabinet will be asked to consider recommendations. If there are any contentious matters it may be appropriate to refer the matter to Cabinet in any event.

- 3.5 For consideration of any disposal with an undervalue in excess of £10,000 (capitalised) a report and business case shall be presented to the Cabinet Member for Corporate Services for a decision on whether or not to make the grant and at what level.
- 3.6 All other grants, or applications for grants, must be declared in the application process and will be taken into account. Failure to disclose other grants will invalidate the application.

#### **4. Private Treaty Arrangements**

The Council may be prepared to enter into private treaty arrangements to secure appropriate community-based initiatives (rather than testing the market) provided the process set out in this policy is followed and all relevant information is provided in a timely and well-presented manner.

Time limits will usually be set because property cannot be held indefinitely.

#### **5. Service Level/Performance/Management Agreements**

In circumstances where the Council is minded to grant agreements at undervalue, this will usually be paired with a requirement to enter into an appropriate form of agreement to set out the expected benefits, outcomes, requirements, project objectives etc. and this will be linked directly to the lease agreement to enable the arrangements to be terminated and the property to revert to the Council in the event that the requirements are not met or the property ceases to be used for the agreed purpose.

It must be appreciated that whilst no money may change hands, the value or rental income is exchanged for the delivery of predetermined outputs in respect of the social, economic and environmental benefit, and for the delivery or support of the Council's objectives as set out in the Corporate Plan and the Council reserves the right to receive reports on these outputs when requested.

#### **6. Council's Professional Fees**

The Council will reserve the right to charge professional legal and valuation fees for these arrangements at its discretion.

#### **7. State Aid**

State Aid implications will need to be assessed and managed on a case by case basis.

#### **8. Leases, Land and Development Covenants**

Where land or buildings may ultimately have development value the Council will include clauses and/or covenants to safeguard its interests as appropriate.



This may include break clauses, clawback or overage provisions, restrictive covenants, a combination of these or alternative safeguards as may be appropriate to the case.

Any lease or transfer agreements will contain clear break or hand-back provisions linked to the delivery of the agreed objectives. The intention being that in the event that the arrangement ceases to work or the objectives of the community group alter, the Council will reserve the right to amend or terminate the management agreement and therefore the lease.

## **9. The Corporate Asset Management Strategy 2015-25**

This policy forms part of the Council's Corporate Asset Management Strategy 2015-25 (CAMP) and sets out the criteria which the Council will consider in its assessment of applications. The Council will expect that any project which is the subject of this assessment will satisfy several or all of the following criteria:

- a measurable improvement in delivering stronger and more sustainable communities
- improved (enhanced or better value) services, particularly to vulnerable sections of the community
- that the organisation(s) involved can show capacity, both pre- and post- transfer/disposal to manage the asset
- that deliverable and acceptable proposals, particularly financial provision, are in place for maintenance and management of the asset
- an entrepreneurial approach to business development and asset use (particularly relevant to the third sector)
- that the partners have a clear understanding of each other's objectives and agendas
- that partners have understood each other's constraints, whether legal, financial or policy driven
- that there is explicit trust between the relevant organisations, and this is institutional, i.e. not dependent on a small number of key individuals

It is also essential that any community project will contribute to several of the Council's Aims and Corporate Priorities.