

Spelthorne Borough Council's Asset Management Strategy 2023/24 – 2027/28

“The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively and sustainably on basis that represents value for money, minimises risk and has the interests of the local community at its heart”

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EXECUTIVE SUMMARY

Local authorities have been impacted by significant reduction in government funding (in many cases near 100% removal) in recent years, which has led to councils identifying alternative ways to generate income, including property acquisition, to ensure service levels are maintained for their residents, communities and businesses.

Between 2016 and 2018, Spelthorne Borough Council acquired a small portfolio of investment properties with the main aim of generating sustainable long term income streams to contribute towards the cost of discretionary council services for residents. In addition, the acquisition of the BP site, allowed the council to control the future of a key strategic site within the Borough and retain a key employer. The Council also purchased 3 regeneration assets to facilitate longer term 'place making' priorities within the Borough and support the long term economic prosperity. These properties together with the Council's municipal assets form the Council's land and property portfolio. The Council is no longer looking to acquire income producing assets.

This Asset Management Strategy (AMS) sets out the direction for the entire portfolio supporting the Council's Corporate priorities and the proactive approach the Council will adopt to manage its assets over the five-year period April 2023-March 2028. Key focuses include value for money and future sustainability. This AMS builds upon the previous Asset Management Plan (2019-2024) and reflects several changes to governance, economic context and the impact of COVID-19 together with a new Council Administration, following the May 2023 elections.

The overriding objective of the Strategy is to ensure that each of the Council's property assets supports the provision of the Council's Corporate priorities, by generating sufficient income to meet the cost of discretionary council services, provide land and property holdings that allow our community to live and work in an environment that is sustainable and evolving to meet the ever changing needs of the community whilst meeting all statutory compliance targets and minimizing risk for the Council.

Asset Management processes are highlighted to demonstrate how the Council analyses and assesses opportunities to ensure that the portfolio provides the best returns for the community, whilst factoring in 'risk' within decision making to mitigate and manage factors that could negatively impact the Council's income. This includes annual reviews of all assets to identify surplus or non-performing property.

The AMS is supported by suite of operational plans and procedures that comprehensively set out the approach, governance, reporting and decision-making activities connected to the entire portfolio. As set out above the portfolio is split into 3 main areas, being:

- Investment assets
- Regeneration assets
- Municipal assets

The same basic proactive management style is adopted for the entire portfolio, however bespoke reporting and governance applies to the assets within the portfolio that carry the highest value, risk and impact on the council's day to day activities i.e. the investment assets. These assets are subject to greater monitoring and scrutiny via a bespoke set of Key Performance Indicators, Risk Register, medium term 3-5 year business plans and an annual plan for each investment, known as the Asset Investment Strategy (AIS). Each AIS is a forward-looking document setting out the key management aims and activities for the forthcoming year.

The performance and objectives of the portfolio will be reported to Full Council on 3 occasions each year; at the commencement of each financial year based on the main focuses from April to March. This is support by a half yearly review in October and then a full report at the end of each financial year. All property based activities are reported on a monthly basis to, two specific property sub-committees. The Commercial Assets Sub Committee(CASC) will focus on the income generating properties and the Development Sub Committee takes the lead on decision making for all other areas of the portfolio.

1.0 INTRODUCTION

1.1 Spelthorne Geographic Area

Spelthorne Borough Council covers an area of 51.15 km². It has an estimated population of around 102,956 (Census 2021) and a significant employment base and strong local economy. It is 15 miles from central London and shares its northern border with Heathrow Airport, a major local employer and a significant positive influence on the local economy. Its southern boundary is defined by the River Thames. The main town in Spelthorne is Staines-upon-Thames. Other urban areas include Ashford, Shepperton, Sunbury-on-Thames, and Stanwell.

Staines-upon-Thames serves an area well beyond the borough, for retail and as a large office and commercial focus. It has direct rail links to Waterloo, Reading, Windsor and Weybridge and is within 10 minutes' drive to the M25 and Terminal 5. It is the nearest significant town to Heathrow Airport. Sunbury-on-Thames is the second major office location within the borough, adjacent to Junction 1 of the M3.

1.2 Why the Council owns and uses property.

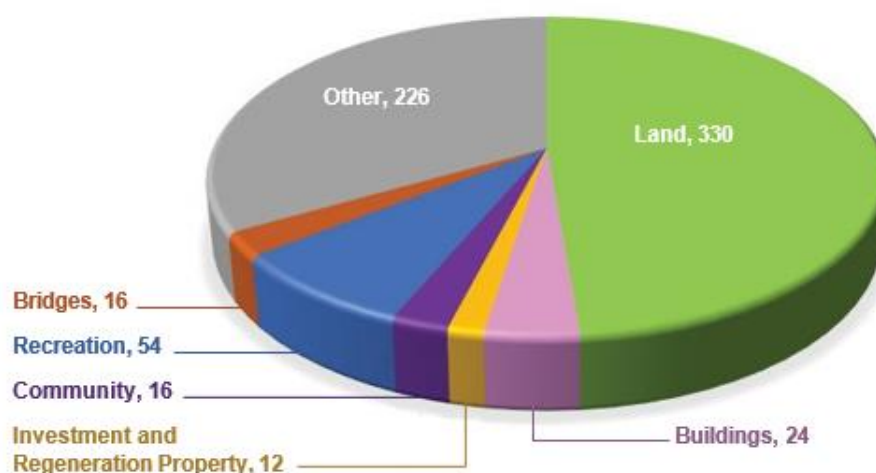
Spelthorne Council is the administrative body for the area, providing a wide and varied range of local services to residents and businesses, from community buildings, planning and housing support through licensing, permits and food safety to parks and car parking.

Properties are held for a variety of reasons both financial and non-financial including:

- To provide a base and back office support to deliver front line services
- Provide facilities for the community to bring them together and provide space for a wide variety of community activities.
- To stimulate and influence the wider environment and economy to enhance economic developments and wellbeing in the Borough.
- Provide opportunities for start up businesses which may not be available through the private sector.
- Improve the quality of the public realm
- Generate income to be re-invested in delivering the Council's wider priorities.
- For place making and regeneration purposes

In addition to the Operational portfolio, a number of commercial Investment assets sit alongside the traditional asset base and are detailed in section 5.

In total, the Council's estate comprises of 678 property assets, broadly made up as follows by number of assets:



1.3 Purpose of the Asset Management Strategy

Each of the Council's asset should support the Council delivering at least one of its corporate priorities via the following objective ***“The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively, and sustainably on a basis that represents value for money and minimizes risk.”*** There is a clear need to ensure that the property Spelthorne owns, uses, and has invested in is fit for purpose, managed proactively and represents value for money. The aim of the AMS is to minimise long-term risk to the Council and its local population and help sustain the local economy, the Council and aide the delivery of its services. The AMS is derived from the Corporate Plan and vision 2021-23.

An up to date strategy, setting out the way in which the Council uses, controls and reports on its assets, is key to implementing robust processes and minimising risk and unnecessary cost. When risks are properly understood, managed, and mitigated with appropriate procedures they are significantly less likely to have a detrimental impact on the council's activities and services.

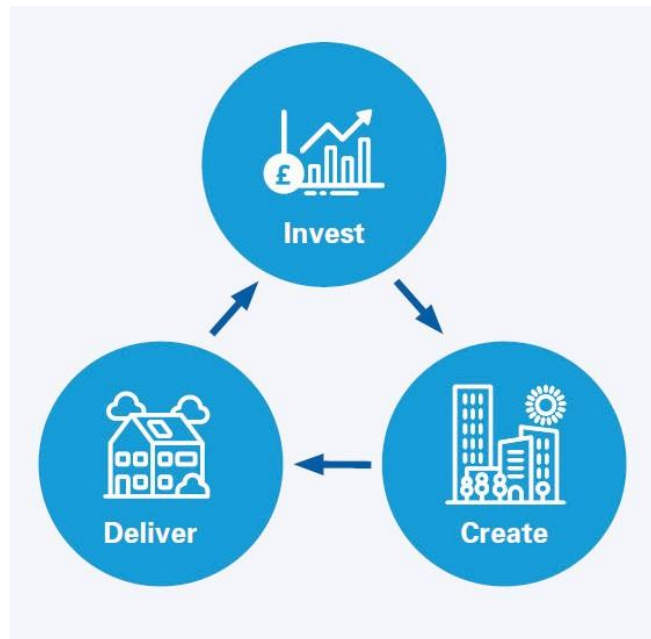
This strategy aims to balance the competing needs for investment in order to:

- Support economic prosperity
- Facilitate place shaping and regeneration opportunities
- Keep properties fit for purpose be it operational, community or investment property.
- Bring obsolete properties up to date or redevelop to comply with current regulations.
- Balance expenditure on responsive cyclical and planned works
- Reduce carbon emissions from buildings through improved energy efficiency.
- Maintain the value of the assets, including maximization of utilization and income of the operational, administrative, and commercial portfolio.

The asset Lifestyle Delivery Model follows the key cycle during a property's life. Proper lifestyle management ensures how optimum value is driven across the portfolio.

1.4 Capital Strategy

- The Plan recognises the need to manage costs, and to generate income to protect and maintain the delivery of core services.
- In total, the investment and regeneration portfolio is currently valued at £773.60m (net balance sheet value as at 31.3.23) which generates a net income of over £10million per annum which contributes to direct services to residents in the borough.
- The Council's Capital Strategy (www.spelthorne.gov.uk/capitalstrategy) sets out how the Council will prioritise its capital expenditure, and how the expenditure will enable delivery of corporate priorities. There are 3 key priorities, which align the property portfolio to the Corporate Plan:



2.0 CONTEXT AND DRIVERS INFORMING THE STRATEGY

2.1 Corporate Plan Priorities

The Corporate Plan priorities inform the objectives of Asset Management Strategy. Spelthorne's five overarching priorities 'CARES' focus on specific themes, values and plans to achieve a sustainable future. In summary these are:



2.2 External Guidance on Managing Property Portfolio Risk

The Council has within the last year received guidance from external experts around key focuses to ensure the Council is able to properly understand, capture and manage the risk associated with its investment portfolio. This Asset Management Strategy recognises and embraces input by the following organisations:

2.2.1 Public Interest Report and KPMG Audit for FY 2017/2018

KPMG, were the Council auditors up to the financial year 2017/18. In November 2022, they provided guidance in the form of a Public Interest Report (“PIR”). The PIR contained five recommendations, as the Council has completed its investment acquisition programme and there are no plans to invest in further commercial property assets for yield and recommendations 1 to 3 are addressed on an ongoing basis, this strategy focuses on recommendations 4 & 5 only, in terms of new processes to monitor sinking fund activity and balances, together with a risk register and revised Key Performance Indicators (KPIs). See Appendix 3

Further information relating to the Public Interest Report can be found here:

<https://www.spelthorne.gov.uk/publicinterestreport>

2.2.2 CIPFA Capital Review

In light of the of the current economic climate, there are challenges that impact on Spelthorne’s borrowing requirements to directly deliver its housing priorities. In view of this and changes to public borrowing guidelines, this Council has taken proactive steps to review its development delivery approach. Our emerging approach to delivering new housing and other regeneration schemes within the borough, will consider options including joint venture schemes and partners providing the funding required to bring schemes forward.

It is important to differentiate between our housing development programme and our investment assets, as these portfolios have vastly different risk profiles. Following the covid pandemic we remain confident that the assets within our investment portfolio will continue to remain resilient to changing market demands and deliver the rental income needed to continue to contribute to our revenue budget and sinking fund reserves.

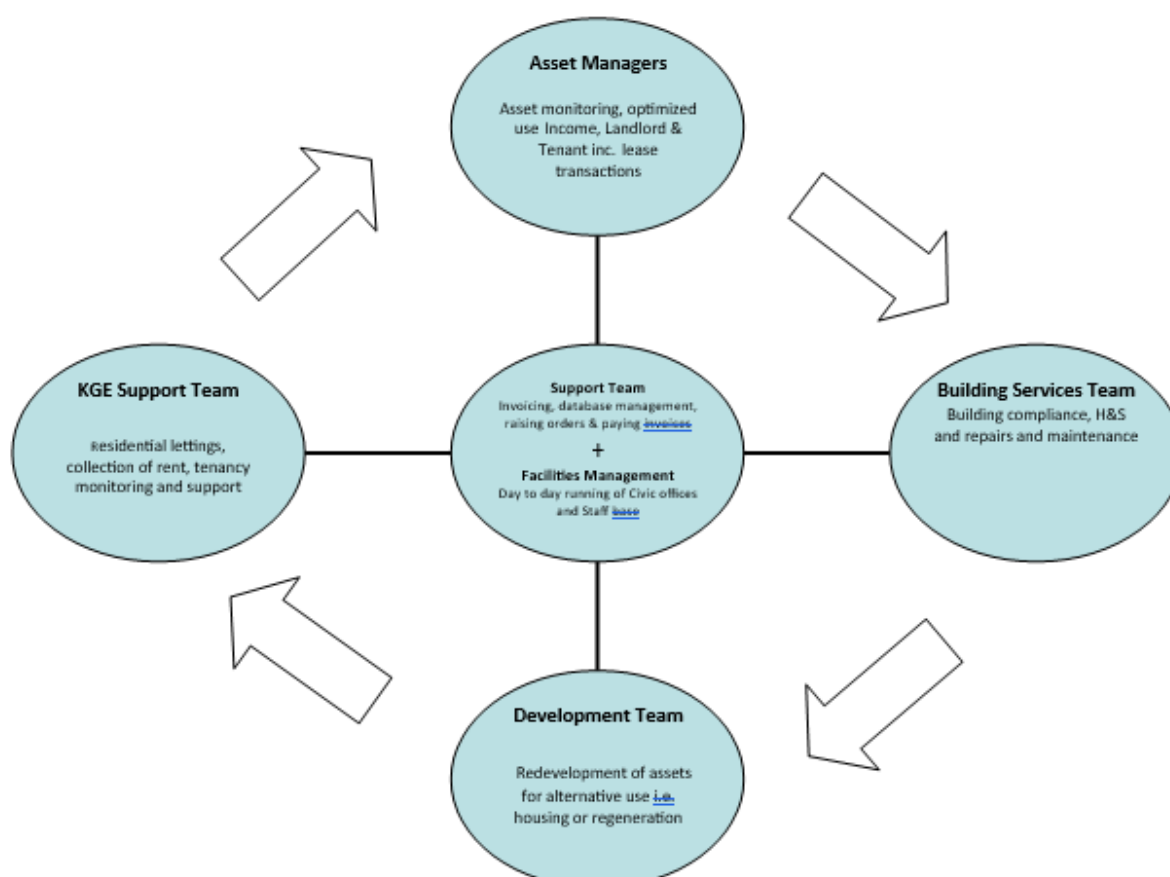
The value of our portfolio may be substantially higher than similar sized authorities, but our well-considered investment acquisition strategy (our last property acquisition was in 2018), coupled with our highly skilled Asset Management Team is reflected in the ongoing high levels of performance our portfolio achieves.

3.0 OVERVIEW OF THE PORTFOLIO MANAGEMENT

3.1 The Golden Thread

The Assets team currently comprises 25 people and is led by the Group Head for Assets and effectively represents the Council's "Corporate Landlord". The team works closely together to deliver a 'golden thread' comprehensive approach to managing the portfolio. The team also work closely with other officers and partners of the Council to ensure that the views and needs of those who use and occupy the buildings, and who deliver services from them are understood, and considered in any review and decision-making processes. Our stakeholders form the client base that the Assets team manage the property on behalf of.

To ensure our management of the assets delivers optimal performance, we will as a core part of our management approach, meet with report to and consult with all relevant stakeholders internally and externally.

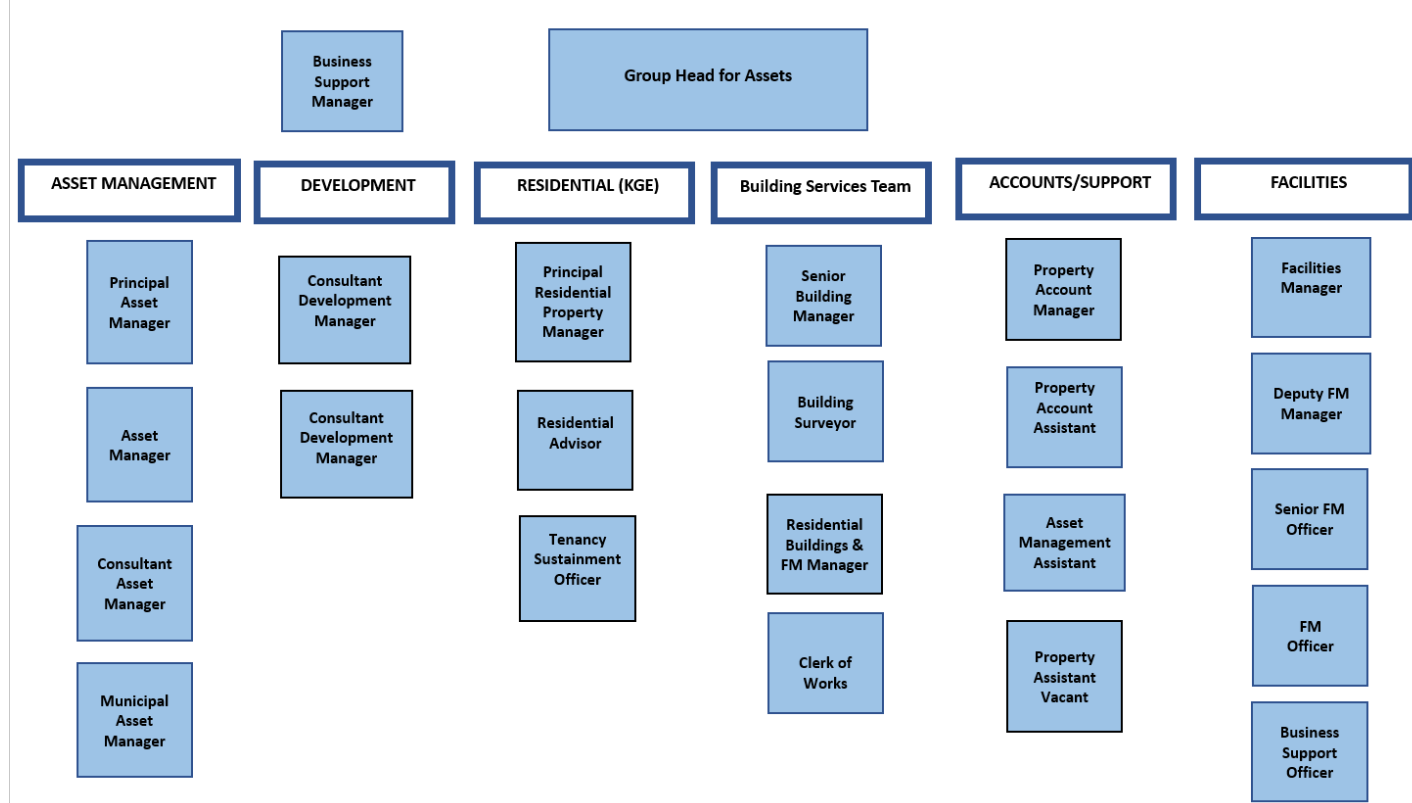


In summary, the Assets Team has overall responsibility for the following:

- Investment Strategy and portfolio review to ensure certainty of income generation
- Landlord and Tenant matters inc Lettings; Rent Reviews; Lease renewals
- Disposals and Alternative use inc. Development Strategy and housing delivery
- Compliance with legal and regulatory requirements, e.g. Asbestos Register, fire compliance, insurance, risk assessment, electrical compliance, cladding requirements etc.

- Health and Safety; Condition surveys; planned and reactive maintenance
- Facilities Management related directly to the buildings (Cleaning etc.)
- Valuation – Annual asset valuations, insurance valuations, ad-hoc valuation
- Maintaining the asset register and appropriate property records
- Addressing day to day queries and issues relating to Council owned assets
- Meeting future risks and associated with climate change and working towards carbon neutrality in its assets.

3.2 The Assets Team



Asset Management

The Assets Team is responsible for the management of the investment portfolio, the regeneration portfolio (comprising assets acquired with the aspiration to develop and/or regenerate) and management of the municipal portfolio.

Development

The Development Team works with a diverse range of stakeholders to deliver economic, social and regeneration benefits to the borough and its residents. It works closely with Spelthorne’s Housing, Sustainability, Assets, Councillors, regulatory bodies as well as the public in shaping viable high-quality schemes. This includes delivering affordable homes for local and vulnerable people that are often outpriced from accessing decent housing within the Borough

Residential (KGE Support)

The team manage the residential portfolio of affordable homes, keyworker and PRS (private rental sector property) owned by Knowle Green Estates. The team deal with lettings, rent and tenancy management; and work closely with the Building Services team to ensure the portfolio is maintained to a high standard.

Building Services

Building Services Team maintains Spelthorne’s municipal and residential properties in an appropriate condition in accordance with regulations, standards and best practices to ensure that property remains safe, secure and conducive for staff, residents, occupants and members of the public who use the buildings.

Facilities Management (FM)

Building Services Team maintains SBC municipal and residential properties in an appropriate condition in accordance with regulations, standards and best practices to ensure that property remains safe, secure and conducive for staff, residents, occupants and members of the public who use the building.

Property Accounts/Support

The property accounts team, working in partnership with Finance, ensure effective collection and management of invoices, accurate reporting and maintenance of the Bluebox property management system.

4.0 THE COUNCIL'S PORTFOLIO

4.1 The Assets

The property assets can be broken down into the following components:-

- **The Investment Portfolio:** the land and buildings owned by the Council to generate an income that will provide funding towards the delivery of Councils Corporate Plan. This is considered in detail in Section 5.0
- **The Municipal Portfolio:** the land and buildings owned and/or occupied by the Council and/or its direct agents or service delivery partners for the purposes of providing services to the residents and businesses of Spelthorne. This is considered in detail in Section 6.0
- **Regeneration (Strategic) Portfolio inc. sites for housing development:** the land and buildings owned by the Council to enable housing and economic development, and involvement in/control over strategic uses in Spelthorne (such as the Elmsleigh Centre, Staines), to enable regeneration and to provide opportunities for development to meet the Council's Corporate Plan. This is considered in detail in Section 7.0
- **Knowle Green Estates Limited support:** This is a portfolio of residential property owned by Knowle Green Estates, being the Council's wholly owned property company. The Residential team manage this portfolio of affordable homes, keyworker and PRS (private rental sector property) on behalf of Knowle Green Estates. This is set at section 8.0 and Governance is covered in Section 9.0.

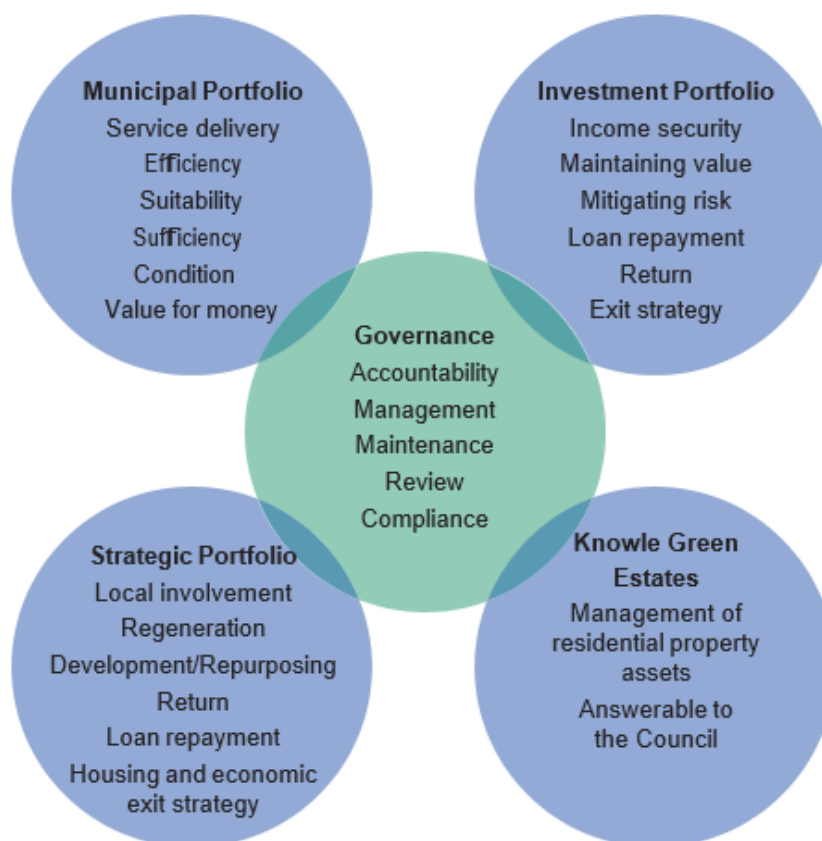


Fig 8: Portfolios, structure and governance

5.0 THE INVESTMENT PORTFOLIO

One of the Council’s key corporate objectives is to secure long-term financial sustainability of the Council protecting its ability to deliver services for residents. A key aspect of this aspiration is the generation of a sustainable revenue stream to underpin the delivery of the Council’s services and offset the upfront costs of the housing delivery programme.

This is reflected in the key priority set out in the Capital Strategy for investing in commercial property to derive revenue.

The Council has acquired a range of commercial properties for primarily income. The portfolio represents a very significant investment of over £770 million which generates a gross income of over £46 million per annum.

Spelthorne Borough Council - Commercial Property Portfolio



Fig 1 Location of commercial assets

Collectively, these properties comprise the Council's investment portfolio.

Annually these contribute approximately £10m net to the Council's Revenue Budget and cumulatively c. £38m to the sinking fund earmarked reserves, enabling the Council to continue to deliver discretionary services that would otherwise have to be cut, including for example such valued services as Meals on Wheels or community centres.

“The strategic objectives for the investment portfolio are that it:”

- Provides a net revenue return to the Council after all costs and risks are accounted for
- Maintains its long-term value
- Contributes to the Council's wider objectives and the economic and social wellbeing of Spelthorne residents
- Does not put the Council in a position of unquantified risk”

Asset Management Core Principle 3

5.1 Strategy, Policy and Risk Management

The Council recognizes the significance of the amount of money it has been invested in its commercial portfolio. This has generated almost £92m of surplus income to date and has enabled the council to continue meet its *'Service Delivery'* corporate plan priority.

In holding these assets, the Council is acutely aware of the need to proactively manage the portfolio to minimise the risks inherent to property investment during the ongoing ownership of the asset. The Council's strategy moving forward is hold those assets to generate an ongoing net income. As outlined earlier in the strategy the Council's approach to reducing the risk is to manage the portfolio utilizing a bespoke set of Key Performance Indicators (KPIs – see Appendix 3)), Risk Register (see Appendix 2), medium term 3-5 year business plans and an annual plan for each investment (AIS). Each AIS is a forward-looking document setting out the key management aims and activities for the forthcoming year.

Going forward we continue to objectively review our portfolio, with 5 yearly external audits of the each asset within the portfolio and the portfolio as a whole, to ensure it remains 'fit for purpose'. This review will include an updated 'exit' strategy for each investment property in the event any are no longer performing to required levels. Benchmarks will include minimum occupation levels, minimum contributions to the sinking fund, Council's revenue budgets and levels of non-recoverable expenditure.

As part of our commitment to ensure our policy is focussed on up to date information that allows us to understand the risk profile of the portfolio we ensure a comprehensive approach to asset value performance is understood. This will influence decisions around sinking fund levels, debt profiles against each asset. We will appoint a different external valuer every 3 –5 years and will explore options to appoint 2 external unconnected valuers over the same 3-5 year period, of which each would value 50% of the portfolio on a bi-annual basis during the contract period.



5.2 Risk management, performance measurement and monitoring

Risk assessment is an intrinsic part of the ongoing management of the portfolio. In accordance with Treasury Management Guidance, the Council considers the balance of all its investments on the basis of security, liquidity and yield. It is recognized by central government that the priority for property investments differs from other investments, in that it is inherently lacking in liquidity, as property sales take longer than the disposal of stocks and shares, so are harder to cash in. To mitigate this, the Council has modelled future potential liabilities and built up sinking funds.

The security of income is continuously monitored with regular assessments of the financial standing of each tenant. The yield is a product of the income as a return on investment over time. This is considered by assessing the property market for the asset type and location and considering the condition and quality of the accommodation.

Performance of the Investment portfolio will be measured against KPIs, identified in Appendix 3 and the portfolio benchmarked against recognized industry standard by sector, lease type, geographical location and classification.

The property market also informs the liquidity of the asset, albeit incomparable to other forms of asset, as the sale of an investment property will be easier and quicker to secure in a stronger market for that asset type and will similarly be more straightforward for a high-quality asset with tenants of good covenant ie those seen to be of lower than average risk profile. One of the reasons the Council maintains sinking funds is out of recognition of the relative illiquidity of fixed assets

In managing the risk to the Council, it is important to assess both the individual performance of each asset, and that of the portfolio as a whole. This enables risk to be quantified, which is key to ensuring that the Council is aware of its liabilities over time. The elements that should be considered from a quantitative point of view are as follows:

- Income generation against benchmark level of vacant floor space
- Rental growth against a benchmark level of total portfolio rental income
- Income certainty against a benchmark lease length/remaining term
- Alternative use options and values compared to existing use asset values

- Asset Value compared to outstanding debt – a risk that is likely to diminish over time
- Revenue liability for loan repayment, management costs and sinking fund as a percentage of total income – for the portfolio as a whole, or for each asset
- Percentage of income that is at risk of becoming void within the next 5 years
- The percentage by which income would have to fall to reach a break-even revenue position (stress test)

This also enables targets to be set which can then inform decisions relating to the management of the portfolio. KPIs will be used pro-actively to identify emerging trends to enable timely action to be undertaken.

5.3 Governance and Reporting

The management of the Investment Portfolio is carried out by the Council’s Asset Management Team with specialist input and support as required from external investment advisers and outsourced where their expertise is necessary, the level of external input will be kept under regular review. This team reports fortnightly to the Council’s Management team, monthly to property specific sub committees and 3 times per year to the Council as a whole.

The reporting structure within the teams and Members is detailed below.



Reports on the investment portfolio will be produced as follows during this strategy period:-

Date of Full Council Meeting	Type of Update	Period update covers
October 2023	Review first half of Financial Year Look forward to remainder of Financial Year	April 2023 – September 2023 October 2023 – March 2024
Each February	Look forward to next Financial Year with Asset Investment Strategy	Next financial year
Each July	Review previous Financial Year	April– March
October	Review first half of Financial Year Look forward to remainder of Financial Year	April September October – March

5.4 Risk

To ensure the Council fully understands all risks associated with its investment portfolio and can fully understand, manage and mitigate against the risks on an individual property by property basis, external guidance will be brought in at least every 5 years to assess the performance and alternative options for the portfolio as a whole, as well as on an asset-by-asset basis. This review will consider the following areas:

5.4.1 Industry risk

The analysis of industry risk looks at the industry categories that the occupiers fall into, to see whether this is balanced or skewed towards any area. A skew means that the industry which represents a disproportionate percentage of the value of the portfolio will need to be more carefully monitored, and any significant economic issues that might affect that industry explored with the Council's professional advisers.

5.4.2 Asset stress test

The asset stress test considers the amount the rental income in a property could fall before the break-even position is reached both at face value and taking account of sinking fund balances available to offset any potential loss. This can then be compared to the income risk related to the timing of rent reviews, break clauses, ending of rental guarantees etc. If the stress test for a particular asset falls below the assessed income risk for a specific investment or the portfolio, then this would trigger a review.

5.4.3 Portfolio Stress test

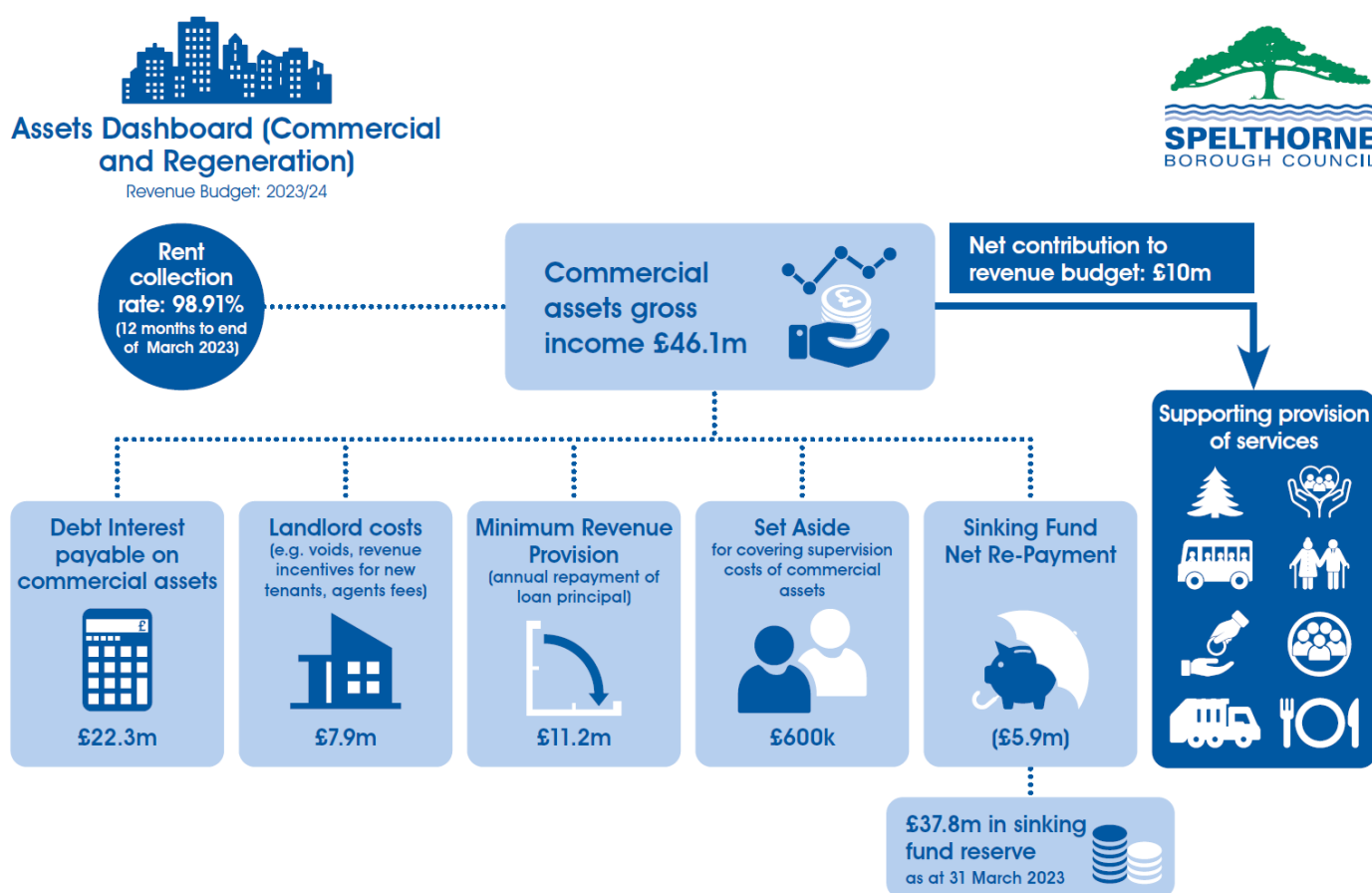
A target can also be set for the portfolio stress test to remain at or above a specified percentage of income. It is recommended that this should be in the order of 15%, as a fall in rental income of over 10% will usually indicate some form of structural change either in the sector that the building represents (offices, warehousing, retail etc – as currently being experienced in the retail sector) or an issue with the building, such as a change affecting its location, or a need for investment from the Sinking Fund to maintain its market position.

5.4.4 Financial prudence

Part of the management of risk is to ensure that the income received from the properties is managed in a financially prudent manner. Whilst the overall investment portfolio aims to support the local economy of Spelthorne and provide the Council with a sustainable income to underpin its Revenue Budget, this does not mean that all the income received from the investment portfolio can be spent on services and developments.

- The first call on income is the repayment of borrowing used to finance the purchase. Borrowing is paid down on an annual basis.
- The second call is the costs of managing the portfolio, including securing the right internal resources and external expertise as required. This will include the risk mitigation measures set out above. If the portfolio is poorly managed, or inadequately analysed, this will increase risk to the Council. The approach needs to anticipate over time the management time of maintaining the assets may increase.
- The third call is the sinking fund. This is a proportion of the income to put aside to maintain the long-term value of the asset and to avoid impact on the Council’s revenue budget in the event of future voids and rent-free periods. If the property is allowed to become obsolete in its function, or if there are works of updating required to secure the best quality lettings, then unless the appropriate ongoing investment is made the income will not be sustainable for the long-term.

How the income is used – worked example 2023/24



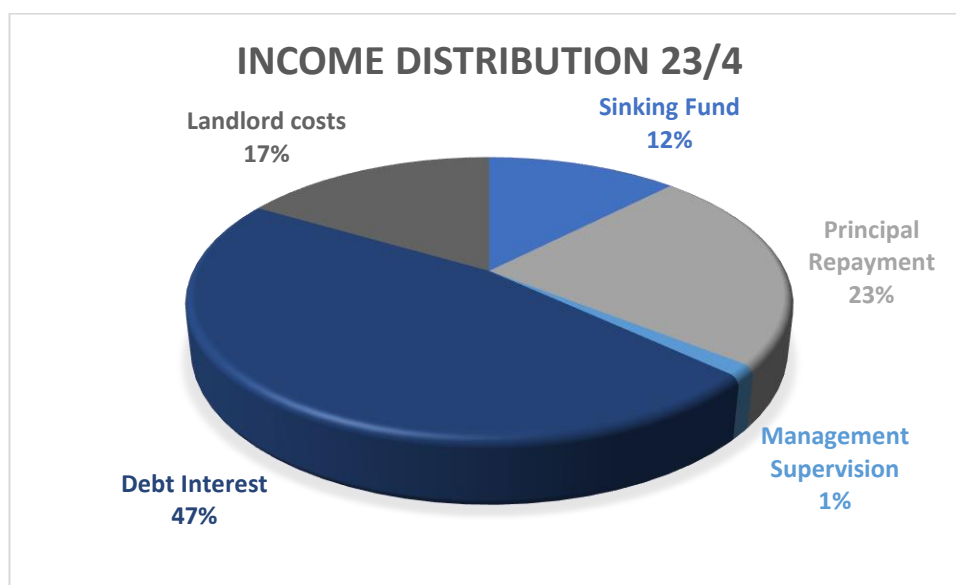
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5.4.5 Sinking Fund

To ensure sustainability, a set of sinking fund earmarked reserves have been established into which a percentage of the annual income from each investment asset is saved. This money is ringfenced for use to maintain or enhance the value of the investment portfolio through future capital

investment/refurbishment, and to reduce long-term risk (including covering potential future voids/rent free periods). The sinking fund is invested in accordance with the Council's Treasury Management requirements, which require a minimum average contribution of £3.5m pa or £17m over a 5 year period.

Only after the above costs have been met will surplus income be available for use as part of the Council's annual revenue budget. The ability to generate such a surplus will have been considered as part of the assessment prior to purchase. Currently, the net return available for such use represents in the order of 20% of the total income generated. The percentage of total income contributing to the Council's revenue account is measured by assets and by portfolio and reported as part of the annual performance report.



5.4.6 The Local property market

The commercial property market in Spelthorne is dominated by the influence of Heathrow Airport, within a 10-minute drive time of Staines-on-Thames. Heathrow Airport and related industries represent the largest employers in Spelthorne. Notably, the film industry continues to expand within the Borough, with Shepperton Studios now the second largest film studio in the world.

Of particular importance to Spelthorne's investments is the performance of the local and regional office market. The regional office market, like the rest of the UK has been negatively affected by the Covid pandemic, the structural shift to hybrid working practices, and the downturn in the UK economy. Consequently, those buildings which can offer high quality accommodation will see superior growth in rental and capital value. Spelthorne's Investment assets are 'best in class', both in terms of location and specification and going forward should perform well compared to average office returns.

If a third runway were still to happen, it is also anticipated to result in a doubling of the cargo transport passing through Heathrow, which will have a direct impact on the demand for warehouse and logistics related development in the surrounding area. There is already a shortage of warehousing compared to demand, and a restricted supply of land suitable for additional warehouse development.

5.4.7 Void and Empty Property Costs

Part of the risk for the Council in holding the investment portfolio are the void or empty property costs and costs associated with the day to day running of each building. In order to minimize these costs the following actions are taken as part of our proactive management approach and to achieve value for money.

Service charges

Service charges are a mechanism within a commercial lease that enables the Landlord to recover the costs of servicing and operating a property from the tenants who occupy the development. The majority of leases within the Investment Portfolio enable the Landlord to recover these costs and any associated costs incurred with managing of the property with the sums invoiced being calculated proportionately on how much space the commercial tenant occupies within the development. These costs can be recovered can include:-

- The cost of maintaining the structure of a building.
- The costs of maintenance, repair and replacement (usually where beyond economic repair) of the fabric
- The cost of maintaining the plant and machinery required for properties operation
- Health and safety compliance
- Maintenance and upkeep of the common areas

The service charges within the Investment portfolio are run by Spelthorne's appointed Professional Consultants who operate in line with the occupational leases, the RICS and accountancy regulations. Good practice ensures that Planned Property Maintenance Programmes are put in place across the portfolio to help preserve the properties condition and help prevent problems from occurring. The life expectancy and budgeting of big expenditure items for example lifts are also regularly assessed to ensure Tenants understand the financial liabilities during the lifespan of a lease. Where voids are present, the Landlord will be responsible for these void service charge costs and for seeking to mitigate these where possible.

Void Costs

Where the Landlord has an impending void (vacant unit) in the portfolio, the Asset management team will actively engage with the management team at the property, tenants already present in the building and local agents to ensure that there is an immediate awareness of the impending availability, provided there is no commercial sensitivity to the outgoing tenant and their staff. This enables marketing to commence prior to a tenants vacation and ensure immediate engagement with the existing occupiers who may also require additional space. We will seek advice from property agents who are expert in letting vacant space to market the void and take advice with regard to refitting space, re-sizing and other market demands to ensure our buildings remain best in class in a competitive market.

Void costs, primarily business rates and service charge costs are kept to the minimum where possible, through pro-active marketing and good asset management. This will include regular engagement with property agents and existing occupiers, effective marketing of the void and understanding market driven requirements to ensure we are as flexible as possible to conclude a swift transaction from the issuing of Heads of Terms through to completing the lease.

6.0 THE MUNICIPAL PORTFOLIO

The vast majority of the Council's buildings and structures (97%) are owned outright by the Council as freehold interests. Some of these are leased out by the Council to third parties, often for the delivery of Council related services. The remainder of the Council's portfolio is occupied on a leasehold basis, some of which is then sublet to third parties. A summary of the municipal assets by category is found in Appendix 1.

Some of these properties are income producing, and others are owned or held to enable a service to be effectively delivered for wider community benefit. The Council has a community lettings policy, which is outlined in more detail in section 6.4 below.

It is important to ensure that the municipal buildings fulfil their purpose and represent value for money. The Building Services team manages repairs, maintenance and compliance and an ongoing 5-year condition report to proactively manage the municipal portfolio. The Council has in place a Value for Money Maintenance Policy as in 6.3. The Asset Manager will have regular meetings the tenants or with other colleagues from the wider team to assess whether the buildings are suitable for the use, whether they are performing, sufficient in terms of size, in appropriate condition to ensure they are compliant with all regulatory requirements and properly maintained and represent value for money.

“The Council’s Strategic Objectives for its Municipal Estate are that it:

- Positively Contributes to the delivery of the Council’s Priorities and services
- Is suitable, sufficient and of appropriate quality and condition
- Represents Value for Money
- Enhances the Council’s reputation
- Meets future carbon neutral targets”

Unless the Council’s municipal property is managed consistently, and through procedures that ensure the technical property matters are fully taken into account, then situations can arise that represent a physical or financial disadvantage to the Council. For this reason, the following principle will be applied to all Council owned property:

The Council’s Asset Management Team has overriding responsibility for all municipal property, and the acquisition, disposal, leasing and licensing of any space required by the Council or third parties for service delivery

6.1 Repairs, maintenance, and compliance

The Building Services Team develops and articulates the standards to which Spelthorne property assets are maintained in order to meet corporate standards consistent throughout asset portfolio in regard to physical condition, functional quality, and efficient operational performance.

It is vital that that the assets are properly maintained to ensure that they continue to function as efficiently and effectively as possible in supporting the delivery of a wide range of Spelthorne’s services. The Building Services Team adopt guiding principles (table below) to deliver a consistent approach to the planning, management and reporting of building maintenance integrated with Council policy objective, providing a good environment for tenants, staff and other users of SBC assets whilst complying with legislative requirements, best practice and British Standards Codes of Practice.

Category	Sub category	Definition
Physical Condition Survey	5-Yearly Building Physical Condition Survey	Property physical condition surveys are undertaken to identify the life cycle, repairs required of the elements in each property, estimate the cost of the works identified and generate a 5-year maintenance resource plan for Council assets.
Statutory Maintenance	Inspections, Tests and Maintenance	Inspections, tests, repairs and improvement works carried out to ensure that Council assets adhere to all statutory and regulatory compliance laws
Planned Maintenance	Term Maintenance	These actions are performed to prevent failure by providing systematic inspection and monitoring to detect and prevent avoidable deterioration or failure and includes testing to confirm correct Operation

	Planned Maintenance	Schedule maintenance work carried out to restore asset to its required condition by enhancing health and safety, increasing efficiency and extending lifespan of assets.
	Backlog Maintenance	Maintenance that has been deferred on a planned or unplanned basis
Reactive Maintenance	Routine and Breakdown Maintenance	This is a planned and unplanned reactive maintenance strategy deployed to restore an asset to operational condition after unforeseen failure.
	Incident Maintenance	Unplanned maintenance that is carried out to restore an asset to an operational or safe condition as a result of damage resulting from natural causes (storms, etc.), fire, forced entry and vandal damage.

6.2 Value for Money Maintenance Policy

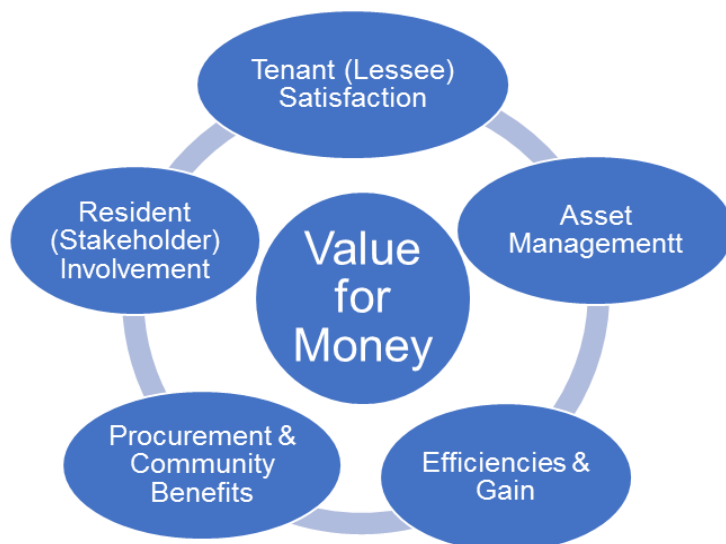
Spelthorne is under ever increasing pressure to drive efficiencies and reduce expenditure on asset maintenance. Asset Management Team through Building Services Team operationally strive for high performance and high satisfaction, whilst considering costs by making the right choices in how it uses its money and resources. Staff are encouraged to think not just about saving money, but also about Value for Money in its wider sense, such as the cost to the customer, service quality, performance and social value.

The Building Services Team nurture and develop relationships with stakeholders who play a vital role in driving improvement and helping to maximise positive impact.

The team works with Corporate Procurement and Legal Services throughout procurement processes for Procured Works and Services Contracts which are carried out in accordance with Spelthorne's contract standing orders and / or in accordance with the Public Contracts Regulations 2015 (where appropriate financial thresholds are reached).

The contracts for property maintenance service are placed on average for a period of 5 years to provide stability and certainty of procurement to ensure an efficient, effective and value for money service aimed at prolonging the useful life of SBC properties and delivering customer satisfaction through high standards of service.

Asset management will continue to measure the wider impact on the borough of Spelthorne using range of tools e.g. tenants survey, etc. to monitor our Value for Money effectiveness as a corporate & social landlord through the provision of consistently high standards in procurement, repairs and maintenance works which are delivered in compliance with statutory, regulatory and contractual obligations and in ways that ensure services meet the expectations of SBC stakeholders.



6.3 Conservation and Bio-Diversity

Spelthorne own several open spaces, grazing land and recreation grounds and consideration is made in conjunction with our Corporate Programme Management and Climate Change colleagues to ensure these areas are protected and their diversity nurtured and enhanced.

<https://www.spelthorne.gov.uk/article/18087/Biodiversity-and-conservation>

6.4 Community Lettings Policy

The term Community Letting refers to the allocation of a lease of a Community Asset to a community organisation for 5 years or more.

The purpose of the Community Lettings policy is to establish a transparent and positive framework that sets out the Council's desired objectives for long-term community asset usage. This policy will be used to robustly evaluate current and proposed community usage arrangements through the establishment of a cross service evaluation criteria and procedure.

The full policy is outlined in the link below.

<https://www.spelthorne.gov.uk/article/20268/Community-Lettings-Policy>

6.5 Partnerships

Spelthorne has established a positive partnership working relationships through the One Public Estate programme. This is a public sector partnership where the Council acts as lead partner, working collaboratively with other public sector organisations to explore opportunities for more efficient use of the collective public sector estate. The aim of the programme is to challenge how the public sector uses its property and identify opportunities to improve service delivery, achieve revenue savings, generate capital receipts and release land for housing and economic growth. This collaborative approach is also mirrored with neighbouring Councils, including Surrey County Council.

The Council is building its strategy with partners for the joint use of assets, joint working, frontline integration and back-office shared services, as part of an agreed joint public sector asset management plan

7.0 REGENERATION, DEVELOPMENT & ALTERNATIVE USE

7.1 Surplus Property

When property from either the investment or municipal property become surplus to operational

requirements or are not meeting the benchmark performance outlined in section 5.2, the Council will consider the on-going purpose of these assets to its portfolio. The three options available are typically identifying an alternative use, re-development, or disposal. An options appraisal will be undertaken to identify the best option for the council and a report will be taken to the relevant committee detailing the available options, supported by financial viability appraisals and other key data. The reports will also include an officer recommendation as to which option it considers should be progressed. On many occasions a straight forward disposal will not offer the best outcome for the Council in terms of achieving its statutory obligations of best value.

7.2 Housing Development and Delivery

One of the Council's key corporate objectives is the delivery of housing for its residents.

“The strategic objectives for the Housing Development, Economic Regeneration and Strategic Portfolio are that it:

- ***Enables the delivery of housing or regeneration in accordance with the Council's key corporate objectives***
- ***Represents value for money***
- ***Does not put the Council in a position of reputational or unquantifiable financial risk.”***

Asset Management Core Principle 2

Spelthorne's stated priority to meet local housing needs is driven by:

- The number of households in emergency or temporary accommodation
- The size of the Housing Register
- Lack of housing stock within the Borough
- Limited private rental accommodation
- Very limited affordable accommodation
- Pressure of people relocating from central London
- The need for supporting social infrastructure
-

The private property market is failing to address these needs.

Historically the Council has embarked on a programme of direct involvement in the development of accommodation to meet demand and support local people. This has been possible by the Council where the council has acquired sites specifically for development, which is then retains ownership of and transfers to its wholly owned housing company Knowle Green Estates (see section 8) and regeneration.

7.3 'Place Making'

Whereas the Council has previously been well placed to deliver schemes itself rather than rely on market activity, in the context of a changing and challenging economic context, the approach to delivering new development within the borough is shifting towards joint ventures and forms of commercial transactions that will enable the Council to direct the type and use of development, via the input of its land and buildings but obtain partner finance to deliver the schemes, whilst limiting the need for the Council to borrow.

Completed housing led schemes which have been completed or have planning approval to progress -

SPELTHORNE HOUSING DEVELOPMENT PROJECTS AND PROPOSALS		
Location	Type of dwellings	No. of dwellings
Land at Churchill Way (delivered)	Houses	3
Bugle House, Shepperton (delivered)	Flats	8
Benwell House (phase I completed)	Flats - phase 1	55

Phase 2 – planning submitted	Flats - phase 2	35
Harper House (completed)	Flats	20
White House site (completed)	Hostel	31
Phase 2 Residential – planning submitted	Flats	17
Knowle Green Offices West Wing (completed)	Flats	25
Ashford Victory Place (planning granted)	Flats	127
Total		321

Fig 11: Spelthorne Housing development projects and proposals as at March 2020

This type of opportunity is stereotypical of the analysis the Council will undertake when appraising options for property no longer meeting its original purpose. The Council holds a number of assets specifically for redevelopment and it is anticipated this portfolio will grow in size over the strategy period where sites originally ear marked for direct residential development are being re-appraised for the purposes of ‘place making’ opportunities.

Place making opportunities will be appraised working closely with a wide range of stakeholders in order to progress and appraise opportunities. Internally, this includes reporting to the Development Sub Committee, Full Council, the officers Development & Investment Group, Finance, other teams within Spelthorne and also the public. These groups will inform the shape and quantum of the opportunities meeting both stringent financial and viability parameters.

The Council has also set itself a high bar in delivering schemes that exceed current Building Regulation requirements in terms of energy efficiency and hence reducing our own carbon footprint. For example, the delivery the world’s first Passivhaus multi-functional leisure centre.



7.4 Strategic intervention and regeneration

The strategic/regeneration assets currently held include the following:

- Communications House (on lease expiry) – office building due for redevelopment to provide further residential accommodation – up to 120 units contemplated in early high level feasibility

- Hanover House and Bridge Street Car Park – forming part of the proposed Waterfront Regeneration Area to provide an hotel led mixed use development (which may be delivered for the Council via a third party)
- Elmsleigh Shopping Centre (part of Elmsleigh regeneration) – site has residential led mixed use development potential as identified in the emerging Staines Development Framework
- Elmsleigh Centre Multi-Storey Car Park
- Spelthorne Museum (part of Elmsleigh Regeneration Potential)
- Staines Library (part of Elmsleigh regeneration potential, in partnership with Surrey County Council as occupier)
- Nos 1 – 6 Friends Walk (forming part of a proposed regeneration area associated with the Elmsleigh Centre) – note existing museum, library and Tothill MSCP has potential for circa 170-200 units + ground floor uses (DSC approved budget)
- 105, 119 – 121, and 121a High Street – held for strategic purposes and future involvement in town centre regeneration
- Thameside House – a vacant office building in South Street, Staines which could provide 105 residential units plus offices. A planning application was submitted in December 2022
- Oast House – the former Oast House site on Kingston Road which could provide up to 185 residential units plus valuable, healthcare, amenity and community based accommodation
- Summit Centre – a 4.5 acre industrial estate close to Sunbury Cross

The Council's involvement in and control of these properties ensures an active role in the regeneration of Staines-upon-Thames Town Centre, and importantly the Elmsleigh Centre, which remains critical to the retail offer in the town. It also enables us to support local programmes such as the employment and skills hub within Borough by providing retail accommodation to increase awareness and visibility.

Having a significant and direct stake in the town centre provides the Council with a seat at the decision-making table where regeneration proposals are concerned, rather than a purely reactive role as local planning authority. With structural changes arising in town centres across the UK in response to the modal shift from bricks and mortar retailing to online shopping, it is increasingly recognised that local authorities will need to play a leading role in determining how long-term sustainability (economic, social and environmental) can be maintained. This is anticipated to remain a key focus for regeneration for Spelthorne for the life of this plan and is closely aligned to the Staines Development Framework, linked below.

<https://www.spelthorne.gov.uk/sdf>


Whilst the Asset Management Plan details the development potential for the various wholly owned assets, the aspirations for these sites, uses and densities must be considered in conjunction with the new Local Plan, other Spelthorne adopted policies and the policies of external stakeholders, for example the Environment Agency.


The Council is building its strategy with partners for the joint use of assets, joint working, frontline integration and back-office shared services, as part of an agreed joint public sector asset management plan.

7.5 Sustainability and Carbon Reduction

- The Asset Management Plan sets out how the Council will meet key carbon emissions and energy efficiency commitments for its assets, including the target of aiming to achieve net zero for Scope 1 and emissions by 2030. This is in line with Surrey County Council's Greener Futures Delivery Plan.
- These Policies are to be read in conjunction with the Councils Climate Change Strategy 2020-30. This Strategy shares a vision for the Borough to aim to achieve net zero by 2030, subject to Government, industry and regulators implementing the necessary changes to enable the Borough and rest of the UK achieve this.

- All properties that are subjected to a lease are subject to Minimum Energy Efficiency Standards (MEES) which were introduced as part of the Energy Act 2021. This Act established minimum standards that must be achieved and are assessed under an EPC grading system. The current standard to be met is an EPC of at least a B rating by 2030.

Key Action	Key Task	Desired Outcome	Target	Owner	Funding (if required)	Linked strategy	Progress
 Reduce the Council's emissions from buildings and operations	1. Delivering the Climate Change Strategy and training staff to 'think green'	Deliver Carbon Literacy to staff to increase awareness of climate change/emergency. Staff will become certificated and create 2 pledges to reduce carbon emissions in the workplace	25% of staff trained by end of 2023	Climate Change Team (CCT)/ Officer	£10 per staff member to come from training budget	Greener Futures Plan action point (52), Corporate Priority Environment Plan	First training session booked for 28th Sept for 24 members of staff
	2. Ensure a robust reporting and monitoring progress for all SBC emissions	To be able to better monitor and understand SBC emissions including Scope 3 and reduce these	Q4 2023	CCO/SO/ ICT			Working with Project Manager of Carbon Economics and Data at SCC on reporting process
	3. Carry out energy audits on main Council operations buildings and assets to identify and reduce energy use	Utilise the energy audits carried out on Council buildings to inform future projects to increase energy efficiency measures across Council buildings including removing oil heating from nursery site	By 2025	CCT	PSLCSF, however, there is the potential to mitigate or slow down the rate of increase in the Council's energy spend	Corporate Priority Recovery Plan,	Audits carried out by APSE – projects to be planned to carry out suggested work
	4. Incorporate energy efficiency measures and renewables into conversions, refurbishments, and maintenance of Council buildings and housing developments	Identify projects that are in line for maintenance and explore opportunities to include carbon intervention measures and adaptation retrofits simultaneously eg cooling, rainwater harvesting, and water efficiency with consideration of associated air quality impacts	Ongoing	Assets/ Facilities / CCT			

Key Action	Key Task	Desired Outcome	Target	Owner	Funding (if required)	Linked strategy	Progress
	5. Carry out an energy and carbon audit of all Corporate IT functions	Understand the hidden emissions of ICT and develop a plan to reduce these	2023	ICT/CCT	Green Initiatives Fund (GIF) for possible consultant work if required		
	6. Deliver lighting upgrades and improvements to heating, ventilation and air conditioning, all remaining lighting in Council buildings to be replaced with LEDs where appropriate	Reduce energy use in Council buildings, could also reduce the Council's energy expenditure	Ongoing	SO/ Facilities			Loft insulation recently upgraded in KG
	7. Meter water usage across Council buildings and install water saving devices and consider behaviour change methods	Reduction of water usage across SBC operations will the possibility of reducing water bills also	2025	Facilities		Water Efficiency Policy	
	8. Complete remaining EPC surveys for all Council sites in the commercial portfolio and assess against the requirements of the Minimum Energy Efficiency Standards	Allow assessment of sites and determine if any insulation work is required to reduce energy use	2026	Assets/ Facilities		Corporate Priority Environment Plan and Recovery Plan	
	9. Produce as much energy locally through renewable resources	All opportunities for renewables in Spelthorne explored and developed where feasible including solar and geothermal	2028	Initially CCT	Public Sector Decarbonisation Fund	Greener Futures Delivery Plan action point (41)	Solar PV now on all 3 main operational buildings

Key Action	Key Task	Desired Outcome	Target	Owner	Funding (if required)	Linked strategy	Progress
	10. Consider approaches to decarbonising buildings owned by Spelthorne but leased to others	Reduce Scope 3 emissions	2026	Assets/CCT	Public Sector Low Carbon Skills Fund		
	11. Although Spelthorne does not own any council housing, the Council will work with Knowle Green Estate and suppliers to promote retrofit, insulation, energy efficiency and adaptation measures	Work with Knowle Green Estates and social housing providers to reduce emissions from social housing through energy efficiency measures and reduce residents' bills, whilst recognising the need for appropriate mechanical ventilation to maintain indoor air quality in some circumstances	2027	Housing/CCO/Knowle Green Estates	Social Housing Decarbonisation Fund		
	12. Council decision-making report template to contain Sustainability/Climate Change Impact section to ensure that every new proposal is aligned with our Climate Emergency commitment	All reports/projects across the Council consider the climate change implications of a future report/project and work to reduce impact, this may require training to understand the full impacts	2022			Corporate Priority Environment Plan	Completed
	13. Create new climate change officer role		2021	Group Head Transformation	First-year salary from Green Initiatives Fund	Corporate Priority Environment Plan	Completed
14. Deliver climate change communications to residents	Work with Hubbub to create communications regarding climate change, to raise awareness and help educate residents about the issues		By end of 2022	CCO	GIF	Corporate Priority Environment Plan	Design being finalised with Hubbub

7.6 Alternative use

There are many factors that influence the viability of redeveloping sites on their own or as part of a larger place making strategy. Such projects can take several years from inception to the point of the 'first spade in the ground'. During this period it is essential that the council mitigates any 'holding costs' of empty sites where viable by creating alternative short term uses or by reducing security, business rates or financing costs.

7.7 Disposal

As part of the options analysis of surplus sites the council will always consider the benefits of a straightforward disposal in order to obtain a capital receipt that can be used for other purposes. It should be noted as mentioned earlier in the strategy the disposal option does not always generate 'best value' for the council.

8.0 KNOWLE GREEN ESTATES

8.1 Residential Portfolio

The Residential management team provide a full management service for the residential properties in the Knowle Green Estates portfolio. The service is recharged to KGE and includes assessing suitability of residents, tenancy sign up and ensuring tenants are adhering to tenancy conditions, invoicing, management of rent accounts, and managing voids. We also have a tenancy sustainment officer to provide additional support to residents if needed. This support includes assistance with applying for and monitoring of benefit payments, contacting utilities, advice and guidance on how to manage a tenancy, and signposting to other agencies for additional support. Knowle Green Estates Ltd is a limited company wholly owned by Spelthorne Borough Council. It currently has 104 properties.

How does it work?



8.0 PROPERTY INFORMATION MANAGEMENT

Key to the management of all the Council's assets is the collection and management of accurate and reliable data. This enables efficient property management, providing the opportunity for appropriate key performance indicators to be set and to form the basis for regular reporting.

Bluebox is a Property Management and Accounting System has now been integrated for both Spelthorne Borough Council and KGE and provides a full breakdown of the assets including the property and unit details.

Lease information has been inputted on all investment, retail and residential assets and the inputting of the municipal leases has commenced. Data can also be collected for:

- antisocial behavioral issues
- rent collection
- void management
- statutory compliance
- contract management
- building maintenance and repairs
- lettings management
- health and safety allocations

KGE residential is fully supported enabling the running of the asset list, purchase ledger, credit control and banking functions, including setting up suppliers, supplier maintenance, processing and electronic approval of supplier invoices, payment runs, remittance advices, manual payments, lease information, tenant information, rent invoicing, rent receipting, collection stats for KGE board meetings, budget control, budget monitoring, trial balance, tenant notes of various types, additional tenant information, rent statements, tenant recharges, Spelthorne recharges, heat network receipts, etc.

8.1 Utilities

We currently use LASER to procure, validate, bill and monitor the Councils gas and electricity for the

majority of our assets. We benefit from a flexible framework contract which enables the purchase of energy in blocks to minimise risk and limit exposure to volatile fluctuations.

9.0 FACILITIES MANAGEMENT

The Facilities Management (FM) team is based at the Council Offices, Knowle Green. The team's function is to ensure the Council Offices operate smoothly and provide a safe and efficient workspace for staff and Councillors to deliver Council services. FM work closely with the Building Services Team to ensure that all necessary repairs to the Council Offices are instructed and carried out efficiently with as minimum disruption as possible. The team oversee contractors at the offices to ensure they are working in a safe and controlled manner as per their risk assessment and method statement. FM take in all deliveries to the building and manage the cleaning contractors. They set up the meeting rooms and the Chamber including the IT and sound system.

Office Services (OS) is primarily a support service to the Council Offices. OS set up and manage the process for security/ID passes for Knowle Green offices, manages the Imperago system through which staff record working hours and book annual leave etc, set up new starters and oversee all office equipment.

Appendix 1 – Portfolio Breakdown

Asset Type	Number
Advertising Hoarding	9
Allotment	16
Arts Centre	1
Back Garden	9
Bandstand	2
Basketball Area	1
Bathing Station	1
Boathouse	4
Borehole	1
Bowling Green	5
Bridge	16
Building-Commercial	12
Building-Office	2
Building-Vacant	1
Bus Shelter	1
Bus Station	1
Café	3
Campsite	1
Car Park	54
Car Parking Spaces	9
Car Wash	1
Cemetery	4
Changing Rooms	4
Chapel	3
Clock Tower	4
Closed Church Yard	5
Clubhouse	4
Common Land	3
Community	1
Community Centre	5
Community Hall	6
Demolished	1
Depot	1
Development	3
Football Grassed Area	5
Games Area	5
Garage	5
Golf Course	1
Greenhouse	1
Highway Subsoil	2
Ice House	1
Investment Property	4
Investments	8
Kiosk	3
Land	8
Land-Access	6
Land-Access to River	1
Land-Amenity	124
Land-Garden	1
Land-Grazing	6
Land-Highway	44
Land-Highway Subsoil	21
Landing Stage	3
Land-part of park	1
Land-Vacant	2

Leisure Centre	2
Linear Park	1
Memorial Bench	1
Museum	1
Nursery	2
Office	2
Offices	2
Open Space	18
Outside Gym	1
Pavilion	11
Plant Nursery	1
Plant Room	1
Playground	31
Playgroup	1
Portacabin	1
Private Road	1
Public Art	15
Public Conveniences	14
Public Gardens	7
Public Park	33
Public Park-part of	3
Public Shelter	2
Pump Room	1
Pumping Station	1
Railway	1
Redevelopment	1
Residential Flat	3
Residential House	2
Resource Centre	1
Service Yard	6
Skate Park	6
Sports Ground	2
Storage Building	4
Storeroom	1
Structures	2
Sub Station	12
Telecommunications Mast	1
Tennis Courts	8
Towpath	6
Underground Structure	1
Vacant	1
Voluntary Organisation	8
Walled Garden	1
War Memorial	6
Water Feature	4
Workshop	2

Asset Type	Number
Land	330
Buildings	24
Investment Property	12
Community	16
Recreation	54
Bridges	16
Other	226
	678

Appendix 2 - Investment Risk Register

August 2023

Version 1 Jun-23

Investment Portfolio Risk Register			Risk scoring before mitigation			Risk scoring with mitigation			
Risk Owner	Risk	Impact	Likelihood	Impact	Total	Mitigation/ Current Control	Likelihood	Impact	Total
Asset Management	Lack of Rental income growth in a buoyant market	Will not match or exceed budget income and maintain rental levels in line with market rates	4	3	12	Letting agents with knowledge and expertise in the local geographic area are used to secure new tenants on Market terms	2	2	4
Asset Management	Lease events are not planned for or progressed in a timely manner	Opportunities for growth in rental income may be missed and increased rent not achieved in a timely manner, statutory rights may be obtained, resulting in SBC losing control of decision making	3	3	9	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary	2	2	4
Asset Management	Poor/Failing Tenant financial strength	Tenant failure, tenant arrears and bad debt	4	3	12	Dun & Bradstreet & Experien credit reports are reviewed prior to enter into a new letting and bi-annually thereafter	2	2	4
Asset Management	Significant expenditure on buildings that is not recoverable	Reduction in net income and contribution towards sinking fund and cost of council services	3	3	9	A suite of documents including the Asset Management Plan, Annual Investment Strategy and individual Asset Business plans set out proposed investment needed to ensure it is recoverable via the service charge or met from capital budgets	2	2	4
Asset Management	New lettings not achieving average market lease lengths	Impact on security of income and asset value	3	3	9	Letting agents are used to secure new tenants on Market terms	2	2	4
Asset Management	Delay in rent collection and/ or Tenant default	Loss of income, impacting the Council's income, revenue budget, financial position and service delivery.	3	3	9	Bluebox (BP), External Managing Agents (Investment) and Customer Services via Integra (Municipal) undertake the rent demand Monitoring in place and reported to both Member and Office forums. Rent Arrears report issued	2	2	4
Asset Management	Non compliance with H&S Legislation (investment)	Serious injury / Loss of Life Fines Reputational damage	4	4	16	External managing agents employed to manage risk, they have a dedicated team dealing with H&S	2	3	6
Asset Management	Non compliance with H&S Legislation (Municipal)	Serious injury / Loss of Life Fines Reputational damage	4	4	16	Spelthorne Building Services team instruct contractors to carry necessary tasks out, supporting the H&S compliance	2	3	6
Asset Management	Not meeting new legislation deadline for EPC's (Municipal)	Unable to grant new leases Loss of income	4	3	12	Building Consultancy team instructed to carry out EPC's where needed and action any works required.	2	2	4
Asset Management	Vacant properties	Loss of income. Exposure to void rates	4	3	12	Monitor lease events. Maintain close professional relationships with tenants. Appoint agents to actively promote and market to secure new tenant.	2	2	4

PERFORMANCE INDICATORS					
	Responsibility	Reason	Data Source	Benchmark	Comments
FINANCIAL (INCOME)					
Portfolio Income Growth	Asset Management	To assess how SBC portfolio compares to budget in terms of net receivable income	Monitoring reports/financial outturn (May each year?)	Target is to match or exceed Budget income outturn	Letting agents are used to secure new tenants on Market terms.
FINANCIAL (EXPENDITURE)					
Irrecoverable Revenue Expenditure	Asset Management	To monitor expenditure on refurbishments and holding costs against Budget	Monitoring reports/financial outturn	Target = Budget	MSCI would provide a benchmark. A suite of documents including the Asset Management Plan, Annual Investment Strategy and individual Asset Business plans set out proposed investment needed to ensure it is recoverable via the service charge or met from capital budgets
LEASE EVENT MANAGEMENT					
Rent Reviews	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons		All reversionary rent reviews to be instigated prior to rent review date unless by exception	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary
Lease Expiries	Asset Management	To avoid delays in recording rental uplifts and for good estate management		All contracted out expiries to be instigated prior to expiry date unless by exception	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary

		reasons		August 2023	
	Responsibility	Reason	Data Source	Benchmark	Comments
TENANT RISK					
Regular review of occupier credit ratings	Asset Management	To ensure that current and future occupier risk is identified and mitigated against	Dun & Bradstreet & Experian	Target = bi-annual reporting	Suggest bi-annual 'RAG' update from credit monitoring source on high risk / high value occupiers with annual review of whole portfolio.
Rent collection (lease rent only, exc turnover)	Asset Management	Regular monitoring of rent collection to assist with Finance budgeting and to identify problem tenants	Cushman JLL	80% within 14 days 90% by Qtr end	Bluebox (BP), External Managing Agents (Investment) and Customer Services via Integra (Municipal) undertake the rent demand Monitoring in place Rent Arrears report issued D&B reports and alerts Regular communication with tenants
PORTFOLIO RISK					
Portfolio Weighted Average Unexpired Lease Term to exceed market average lease length on new letting <i>[Current SE Office index is 7.9 years]</i>	Income	To ensure strategies are in place to preserve longevity of income	Annual Valuation	Carter Jonas	Letting agents are used to secure new tenants on Market terms

