APPENDIX A

Stevenage Borough Council

DRAFT ASSET MANAGEMENT STRATEGY

2018-2023

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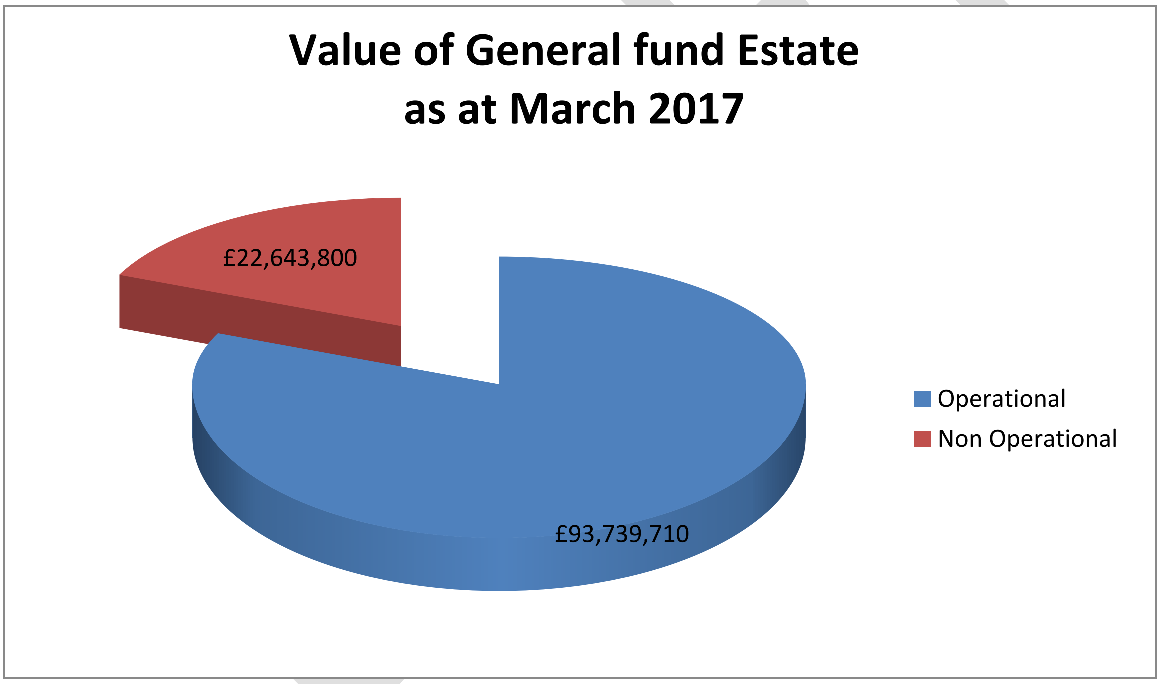
INTRODUCTION

This document sets out Stevenage Borough Council's Asset Management Strategy 2018-2023. The Strategy describes the Council's approach to management of its non-housing assets, land and buildings, and is intended to provide the framework for decision making across the estate (for all operational and non-operational assets).

The central focus is the Council's buildings which fall into two categories
(1) **Operational assets** including corporate offices and depots, a wide range of community buildings, leisure facilities, and car parks, and
(2) **Non-operational assets** including the commercial portfolio, and garages.
The current combined value of the non-housing estate is £116.38m.



The Council can drive change through efficient use of its assets within the Borough, helping to improve local communities and residents quality of life, connect opportunities for regeneration of areas and deliver services from high quality easily accessible corporate buildings.

This new framework is intended to have a life of five years and replaces the previous Asset Management Strategy 2010-2015. The new framework comprises of two key elements - Asset Management Strategy and Asset Management Action Plan. The general approach to asset management is likely to remain constant for this period, but the action plan will be the key change document.

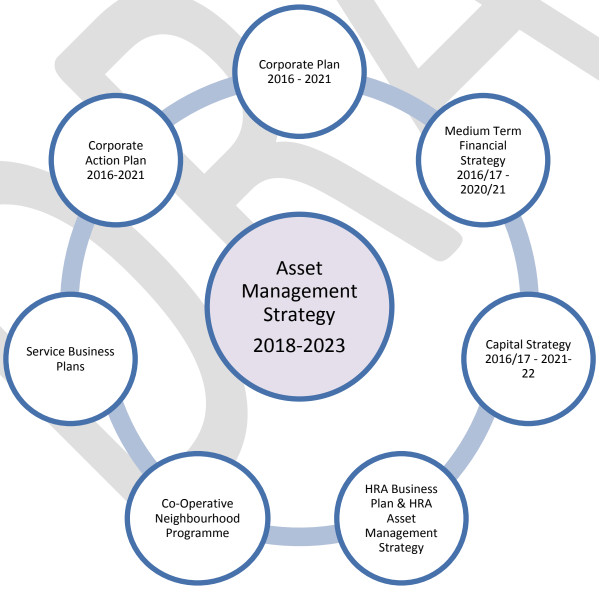
Why do we need an Asset Management Strategy?

Asset management, in simple terms, is the name given to the strategic management of the property assets that the Council owns or occupies. In this case, non-domestic assets held by the General Fund.

The Asset Management Strategy is intended to be a live road map for its assets setting out the direction of travel for the next five years. This will reveal how the Council intends to maximise available resources (assets and finance) to develop a sustainable well maintained portfolio that helps to support and deliver the Corporate aims and objectives.

Links to other Corporate Strategies including context

Property assets cannot be managed in isolation to other over-arching Council policies and strategies, as they are closely linked to the achievement of our strategic priorities. These key priorities are summarised within the Council's Corporate Plan and Summary Action Plan. The diagram below shows the main strategy documents influencing property decisions.



Stevenage Council approved proposals for a new programme called Future Town Future Council in October 2015. It consists of nine key focused programmes that aim to deliver improved outcomes and real change for Stevenage residents over the five year period (up to 2020)(see Appendix A). This forms the basis of the new Corporate Plan. Further details can be obtained via the following link - ((http://www.stevenage.gov.uk/content/15953/33537/20596/Co-op-Future-Council-Corporate-Plan-2017.pdf)

The **Corporate Plan 2016 – 2021** includes the following ambitions:

- Increase the number of social and affordable homes in Stevenage (FTFC 05)
- Create a vibrant town centre where people want to live, work and play (FTFC 06)
- Improve the accessibility of our services and the customer experience (FTFC 07)
- Work with our communities to improve our neighbourhoods (FTFC 08)
- Provide high quality homes to our tenants and leaseholders. (FTFC 09)

This plan is ambitious and to help deliver on these core values, the Council will need to be:

- A financially resilient Council with enough resource to deliver its priorities (FTFC 01)
- Become a smart Council with improved performance (FTFC 02)
- Have the right people, skills and knowledge (FTFC 03)
- Have stronger partnerships with key agencies to deliver our priorities (FTFC 04)

The Asset Management Strategy will support the delivery of these core objectives. The Council will be using its valuable resources (people and property) to ensure effective and efficient management of the corporate estate.

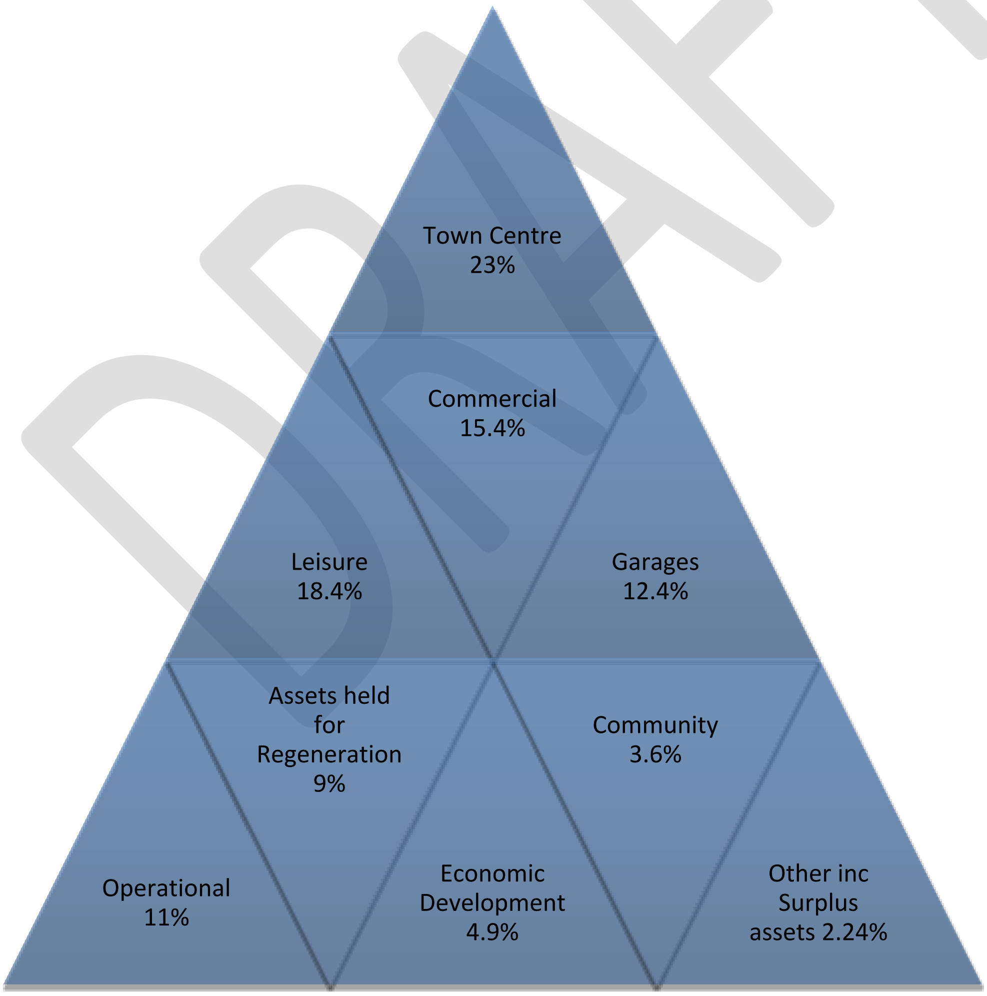
OVERVIEW OF THE PROPERTY PORTFOLIO

The Council's property portfolio extends to a non-housing stock of over 377 separate assets plus 6664 general fund garages, with a current aggregate book value of £116.4m as at 31st March 2017.

General Fund assets are owned and held for the following reasons:

- to deliver a service, such as play centres or corporate office accommodation
- to generate an income e.g. shops and workshops
- to add value to local communities e.g. shops, park pavilions/changing facilities and community centres
- to enable more control and comprehensive regeneration of the town centre

This is largest portfolio [1]held by any Local Authority in Hertfordshire. A breakdown of the percentage of the total capital value attribute to key groups of assets is given in the diagram below.



[1] Source: e-PIMS presentation by HCC 20 June 2017

This is a valuable resource and one which demands to be managed efficiently and effectively to ensure current income streams of circa £6.24m per annum are protected, and ideally offer rental growth, in order to continue to fund the cost of running Council services, as well as being employed to meet other Corporate Plan aims.

A summary list of property assets is included at Appendix B and C, and this demonstrates the broad spectrum of property assets within the portfolio. It comprises civic offices, depots, community centres, pavilions, play-centres, leisure facilities, surface car parks and one multi storey car park, cemeteries, public conveniences and a significant commercial portfolio. For the avoidance of doubt, this asset management strategy does not cover plant and machinery within the buildings.

Of the 377 assets included within the portfolio, currently 98.6% are wholly owned by the Council, and only 1.40% (6 assets) are leased in by the Council (i.e. the Council is the lessee).

OUR ASPIRATIONS

This section sets out the key aspirations and ambitions for the Council's general fund estate:-

1. **To acquire and hold assets that help create and support a vibrant town**
2. **To hold assets that help improve the quality of the environment for the benefit of local residents**
3. **To look at ways of releasing and developing our land assets that enable the Council to provide high quality new homes for our residents, and**
4. **To hold a sustainable, compliant and efficient corporate estate.**

Running through these aspirations, the key objective for the Council is to own "the right assets at the right cost".

The "right assets" are those that enable the Council to deliver on the promises made under the Future Town Future Council programme that are held or used to;-

- pave the way for regeneration (buying and developing property within the town centre) (Town Centre Regeneration)
- build 300 new homes by 2020/21 (Housing Development)
- complete more flagship mixed residential and commercial schemes (such as the recently completed Archer Road re-development) (Housing Development)
- improve our Co-operative neighbourhood working along side our local residents (Co-Operative Neighbourhood Management – Garage Investment programme)
- generate new rental income streams (Financial Security)
- to improve accessibility to our services and improve the customer experience (Connected to Customers). The right assets need to be environmentally sustainable, health and safety compliant, well maintained and accessible, inviting and attractive. All assets need to be of high quality, offering adaptable/generic/flexible space and fit for purpose.

The Council can only deliver on this agenda with a clear focus on achieving the right assets at the right cost. There must be a response to the current financial landscape which dictates a need to operate within significantly reduced resource. This is discussed in more detail within the Challenge Section of this Strategy. Local Government faces increasing financial challenge over and above the sustained reduction in central government support.

The Council's financial requirements for setting a balanced revenue budget and funding the Council's ambitions under the FTFC programme are as follows:

1. Increase income generated from the Council's commercial assets through a number of ways (i) by investing in our incoming generating assets (ii) through efficient management and (iii) buying new commercial investments which bring in new sustainable rental income streams .
2. Release capital receipts from poorly performing assets or strategic land assets, and reinvest in Council assets to reduce reliance on prudential borrowing.
3. Reduce costs associated with the Council's assets through a modernisation programme (for instance energy efficiency savings).
4. Effective management of Capital spend.

The primary challenge in balancing Stevenage Council's books is managing capital spending, by ensuring there is an effective capital programme, where spend is targeted appropriately. Inevitably, this will necessitate a reduction in the asset base over time, because maintaining all the current assets on the basis of fix on fail is not sustainable in the long term. This cost ambition extends to reducing running costs on core operational offices through investment in new and modern construction, which will bring cost and energy efficiencies (not achievable on poorly performing stock).

In order to deliver on the promises for internal changes, the Council is looking at ways through its Employer of Choice ambition to keep and attract the best staff, and under its Performing at our Peak agenda to develop strong staff performance.

ACHIEVEMENTS SO FAR

KEY ASPIRATION 1: To acquire and hold assets that help create and support a vibrant town

In 2013 and 2016 respectfully, the Council successfully acquired freehold ownerships of two significant commercial portfolios within the Town Centre (Town Square and The Plaza). These assets are key to helping the Council create a commercially attractive development scheme that it can promote to Developers. The Regeneration Team are actively engaged in competitive dialogue discussions with developers. The selected preferred developer will be announced in early 2018 as one of the first major signals of the redevelopment of SG1, and a phased development programme will follow.

The regeneration of SG1 within the town centre will see a new public sector/civic hub being developed, with the intention of decanting out of the ageing offices at Daneshill House into the new building.

Public Realm

The Council have been working to improve the public areas within the town centre with a variety of schemes to make the area a place where people want to spend time. This year improvements were carried out to two public squares in the town introducing new paving, planting, lighting, seating and performance areas to add a fresh look to busy areas in the town centre.

KEY ASPIRATION 2: To hold assets that help improve the quality of the environment for the benefit of local residents

We are investing in Stevenage neighbourhoods

The first phases of the Co-Operative Neighbourhood Management programme have focussed on the residential wards of Pin Green and Shephall. In these areas, new litter bins have been installed, public realm improvement works procured and remedial work to hardstand areas and other public space enhancements have been completed. The programme was formally launched in the summer of 2017, and this seeks to enhance local areas through resident engagement. Further environmental improvement works are proposed for St. Nicholas and Martins Wood during 2018/19 including replacement of litter bins, green space signage, improvements to public realm, plays areas and shrub beds.

Improving our 6664 garages to keep them all in top condition

The Council has approved a re-investment programme of circa £9.2m over a ten year period to refurbish its current garage stock. The investment plan will see improvements to the condition of the garage stock within all neighbourhood areas. The refurbishment of five garage blocks (pilot projects) have been completed as part of the first phase of the programme.

Transferring assets to the third sector

The council provides accommodation for a number of local community and voluntary organisations through its portfolio of assets. The council currently has arrangements with Community and Voluntary Sector organisations to manage and operate council premises on lease arrangements through a partnership approach. The council continues to consider social value and community benefit through the delivery of its asset portfolio.

KEY ASPIRATION 3: To look at ways of releasing and developing our land assets that enable the Council to provide high quality homes for our residents.

Housing remains a key priority for Stevenage residents and for the Council, and there is a need for more affordable homes.

Recent achievements include the establishment of a new in-house Housing Development Client team to lead a design and development consultant team. An Open Market Acquisitions Programme is underway that will deliver 67 new affordable homes during 2015/16 and 2016/17. 31 of these homes have already been acquired at the time of drafting this Strategy.

Changes to the HRA self-financing regime has allowed the Council to plan for a new build programme of affordable housing across Stevenage. The New Council Housebuilding programme is progressing well and to date 39 new homes have been developed across 3 sites. This effectively means that the Council has taken on the developer role in some instances. This has resulted in delivering 30 new homes at Archer Road under a design and build contract. Another 29 homes are under-way on previously council owned sites on a similar basis. New disposal models include negotiations for the purchase of any affordable element of housing from Private Developers, who have purchased land from the Council for private residential development (such as 14 new homes being acquired on land sold at Gresley Way). The New Council Housebuilding programme is detailed in the table below:

	Estimated Completed Onsite	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed house	3 Bed House	4 Bed House	
Archer Road	Completed	8	9		9	4		30
Vincent Court	Completed				4			4
Kilner Close	Completed	1	2			1	1	5
Twin Foxes	Onsite	6	8					14
Weadwood Way	Onsite				6			6
March Hare	Onsite	10	5					15
Ditchmore Lane	Estimated	4	6					10
Kenilworth	Estimated	80	90		20	16		206
Gresley Way	Onsite	4			7	2	1	14
29 Shephall	Estimated	3	2					5
Symonds Green	Estimated	8	8		2			18
Buy Backs	Completed				2	1		3
Open Market Aq	Completed	13	7	1	5	2		28
Total								358

CASE STUDY: ARCHER ROAD

Kingpin Square – This is a redevelopment of an ageing neighbourhood centre with voids and poor public realm. In a phased development (cost £5m), a community centre was relocated to nearby Hampson Park. The second phase of the project, completed in July 2017, consists of development of council homes; 9 apartments and 13 family houses, designed around a central courtyard showcasing the original 1960s sculpture "The Kingpin" with some retail provision.

KEY ASPIRATION 4: To hold a sustainable, compliant and efficient estate

Compliance Contract is underway

A single supplier framework has been in place since 2014 providing a full comprehensive building compliance and maintenance service to the council's corporate properties. This contract includes the servicing, maintenance, and health and safety compliance of 69 council buildings. This continues to be managed in collaboration with neighbouring Local authorities, North Herts District Council and Broxbourne Borough Council.

Steps to address Energy Efficiency of the Council assets

An energy audit survey was undertaken by external consultants in 2014 on seventeen operational buildings. The survey identified opportunities for investment in cost effective energy efficiency initiatives and energy saving measures, areas of energy waste and provided advice on how these may be reduced or avoided by applying good operational management and awareness.

Review of Community Buildings

A review is currently being undertaken of Community Centres. The review is considering opportunities for capital development, on sites where housing development options also exist and where there are opportunities with partners such as HCC and Health to consider joint capital programmes, for example the re-provisioning of HCC day care services. It is envisaged that this review will be completed by Spring 2018.

New models of investment - Property Investments

The Council approved £15million investment fund to acquire commercial property investments in May 2017, to support the Financial Security work stream based on a new property investment strategy. This will generate new rental income streams for the Authority, instead of generating income from more traditional gilts and bonds.

Streamlining the disposal programme

The Council has streamlined its processes and resources for certain land disposals to bring forward smaller sites for disposal by auction.

CHALLENGES WE FACE

1. Financial landscape

The Council faces a significant challenge to identify and manage priorities including comprehensive spending review and financial pressures on general fund, capital pressures on council assets, housing pressures, welfare reform, change in partnership landscape, regeneration pressures, continuing pressures on local economy and impact on service users, increasing demand for services and need to work co-operatively with residents.

Over the last few years, the General Fund capital programme has faced considerable financial constraints as the projected need to spend outstripped the ability to fund the programme from capital resources, leading to an increasing need to borrow.

The Council has brought in some early short term mitigation, which directly affects property assets, in the form of capital limitations:

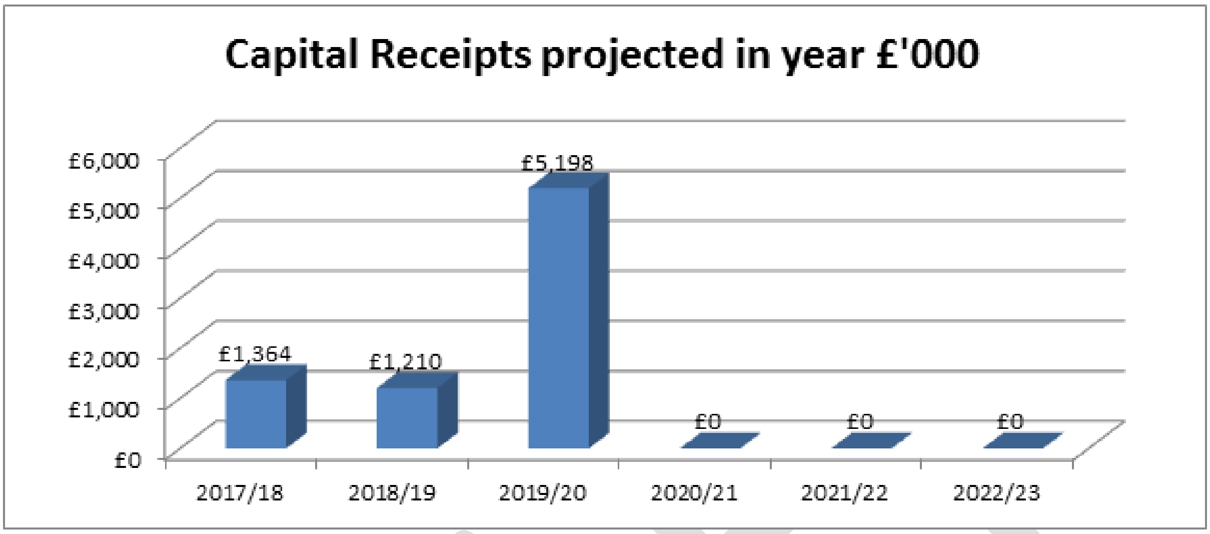
- Limit capital works to priority 1&2 works this includes essential health and safety and statutory works and ensure the buildings are watertight, secure, operational and fit for purpose. This assumes that the asset stock is static and is not obviously sustainable in the long term.
- Zero base the capital programme to ensure that all capital schemes are bid for and prioritised based on a set of criteria.
- Limit borrowing to a business case need and those schemes which give a return on investment.
- Assets due for regeneration should have only essential works carried out
- Re-profile spend to latter years if reviews of the service were due
- Include only the initial works to schemes until the business case is proven
- Include in the Strategy recommended option for play area improvements on affordability basis.

The situation is so critical for 2019/20, there is now a moratorium on making any capital commitments against the 2018/19 capital programme until a review of potential land and building disposals is carried out during 2017/18.

As an outcome of the emerging review of community centres, expenditure has been capped at no more than £200k for any community centre or pavilion until the review is completed.

Traditional property disposals

Historically, traditional disposal of property assets (mainly land) has been an important element of the Council's annual capital programme, because this is a main source of funding alongside capital reserves, in order to avoid prudential borrowing per se. However, as forecast, there are now insufficient good quality sites identified in the disposal programme/pipeline to achieve anything like the level of receipts likely to be required to fund the current capital and regeneration programmes. The traditional quick wins have now almost been exhausted, until further land reviews are carried out, and the Council faces a greater challenge of finding land parcels within its existing holdings of any significant value. This situation reaches a critical point in 2021/22 when the capital receipts will be exhausted, unless new sites are found. The table below is taken from the draft Capital Strategy 2017/18 – 2022/23.



The Asset Review of 2012-14 did include a physical site survey of the Borough, and this produced approximately ten good traditional disposal sites from over 200 surveyed within acceptable existing planning policies.   These have been added to the disposal programme and the majority sold. The remaining opportunities either demonstrated poor value due to site constraints or could only be brought forward once planning constraints are relaxed. There is no certainty that other developable land parcels will come forward under future reviews.

Strategic land disposals

The Council does still hold a small number of potentially high value assets (the strategic land sites referred to earlier) that could be sold generating significant capital receipts, but it is not prudent to rely on these sales coming forward in the early years of this Strategy due to delivery risks. The largest of which will require considerable time in term of years, and up front revenue investment, to complete the necessary feasibility studies and promotion agreements to bring this forward. Once these assets have been sold, and the capital receipt taken, there will be no further sites of this magnitude.

New models of housing delivery

The Council has also been taking on the developer role within Stevenage through the initiatives of the Housing Development team and making use of the Council's land resources by constructing new council homes on council owned land. Although this is an opportunity for the Council to meet social need aspiration to provide high quality new homes for residents, the challenge here is loss of traditional relatively quick capital receipts to the General Fund, resulting from transfer to the HRA (Housing Revenue Account) by a debt transfer as opposed to a capital sum.

The short and limited disposal programme which has existed for the past few years, and the impact of the lack of a rolling programme of new development sites coming forward to replace those lost to these new models has caused a financial pressure.

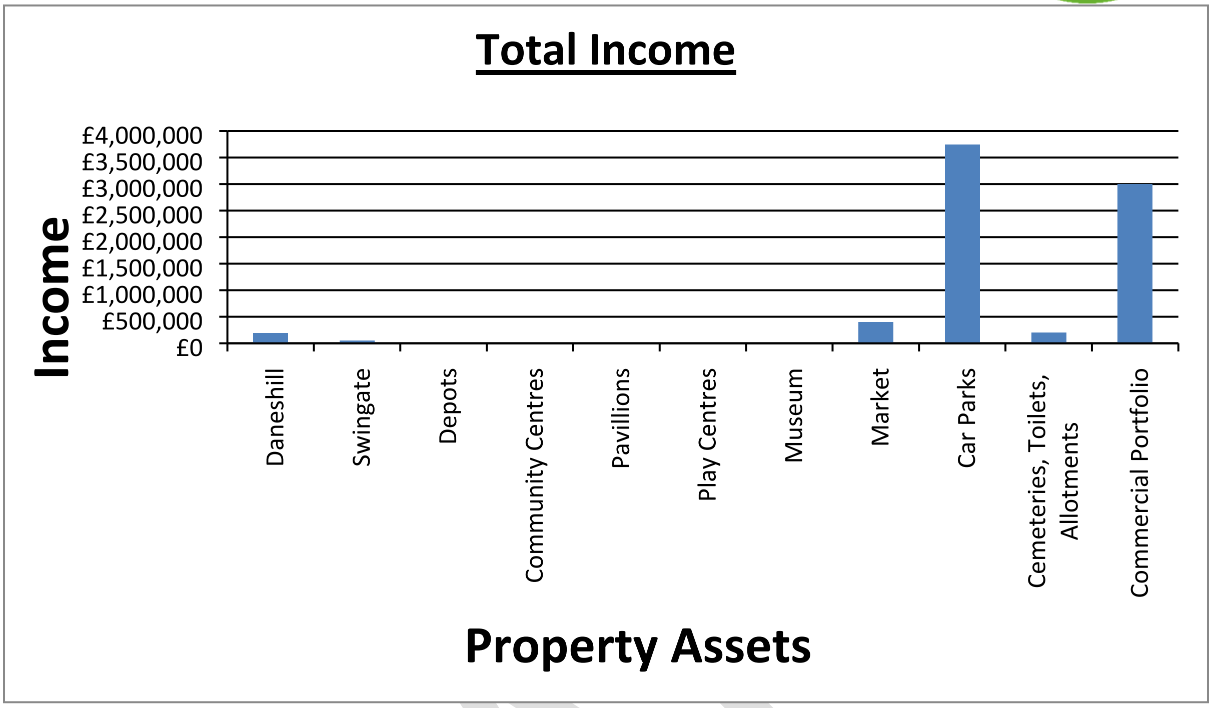
Asset stock levels

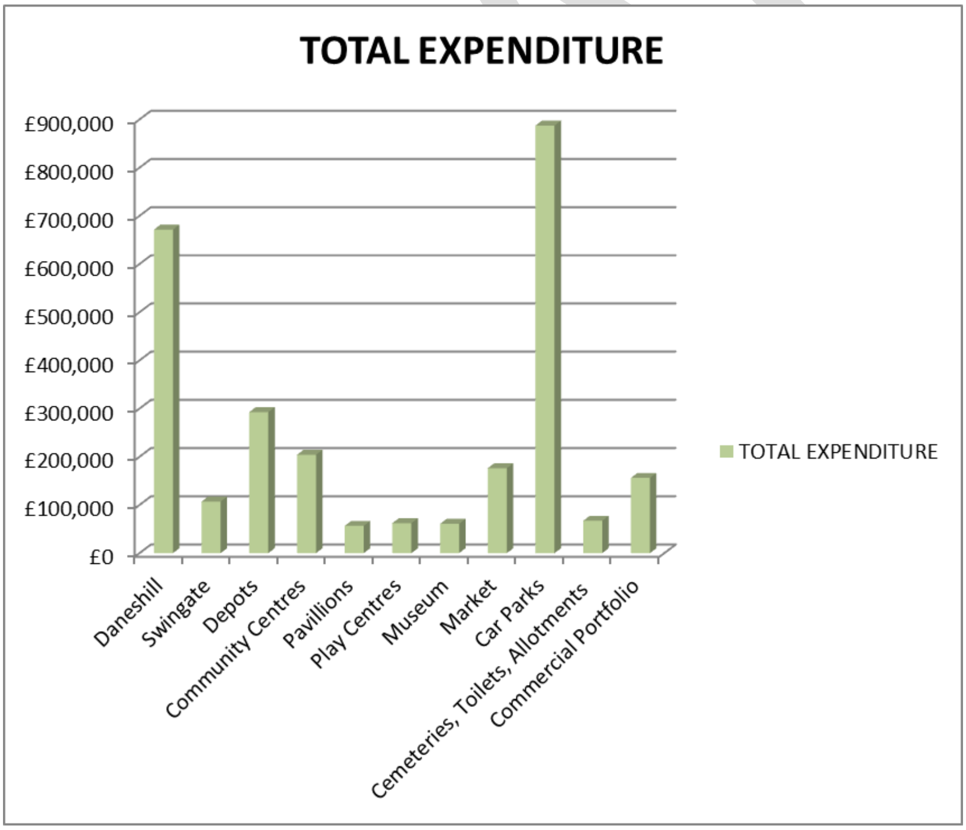
The size of the Council's large asset portfolio has not changed significantly for many years since its origins back to the Development Corporation. The Asset Review of 2012-14 did seek to reduce the number of assets retained through natural loss without impacting on services, and as a result twenty two assets from within the portfolio were released either through re-location, demolition, sale or the surrender of leased in-asset. This resulted in small capital receipt of £286,000 and actual rent savings from the leased-in asset. This however was only a very small percentage compared to the existing portfolio. The previous asset review did not result in the loss of any operational assets. This means that revenue costs are still being met in relation to these assets including compliance and running costs.

The table below highlights the 2018/19 key budget expenditure and anticipated income for key estate assets across the following portfolios; operational estate, community, leisure, town centre excluding assets held for regeneration, and commercial.

	Operational Estate			Community			Leisure	Town Centre		Other	Commercial
2018/19 Budgets	**Daneshill**	**Swingate**	**Depots**	**Community Centres**	**Pavillions**	**Play Centres**	**Museum**	**Market**	**Car Parks**	**Cemeteries, Toilets, Allotments**	**Commercial Portfolio**
Repairs & Maintenance Of Buildings	£92,620	£24,390	£54,710	£73,070	£40,220	£17,770	£9,730	£41,590	£121,700	£26,710	£42,980
Grounds Maintenance	£0	£0	£0	£0	£0	£2,810	£0	£0	£0	£1,980	£0
Energy Costs	£140,960	£61,710	£49,990	£80	£0	£11,500	£7,250	£66,800	£86,560	£11,060	£1,050
Rents, Rates & Water Services	£282,440	£13,280	£170,190	£118,460	£6,890	£16,290	£42,020	£32,410	£658,320	£24,900	£55,290
Fixtures & Fittings Total	£5,820	£910	£5,400	£0	£0	£0	£1,510	£0		£1,270	£0
Cleaning & Domestic Supplies	£130,050	£940	£610	£0	£9,370	£11,260	£70	£31,400	£0	£0	£0
Premises Insurance	£19,460	£5,860	£11,800	£12,460	£0	£2,600	£220	£4,070	£20,750	£1,170	£56,740
TOTAL EXPENDITURE	**£671,350**	**£107,090**	**£292,700**	**£204,070**	**£56,480**	**£62,230**	**£60,800**	**£176,270**	**£887,330**	**£67,090**	**£156,060**
Rental Income	-£194,420	-£56,030	£0	£0	0	£0	£0	-£401,260	£0	-£27,610	-£2,996,290
Fees And Charges	£0	£0	-£9,740	£0	-£3,500	-£4,440	-£5,570	£0	-£3,742,070	-£177,000	£0
TOTAL INCOME	**-£194,420**	**-£56,030**	**-£9,740**	**£0**	**-£3,500**	**-£4,440**	**-£5,570**	**-£401,260**	**-£3,742,070**	-£204,610	**-£2,996,290**
NET EXPENDITURE/(INCOM	**£476,930**	**£51,060**	**£282,960**	**£204,070**	**£52,980**	**£57,790**	**£55,230**	**-£224,990**	**-£2,854,740**	-£137,520	**-£2,840,230**

Note: the expenditure are property related costs only and exclude staffing costs and other recharges


Total Income
Income
£4,000,000
£3,500,000
£3,000,000
£2,500,000
£2,000,000
£1,500,000
£1,000,000
£500,000
£0
Daneshill
Swingate
Depots
Community Centres
Pavillions
Play Centres
Museum
Market
Car Parks
Cemeteries, Toilets, Allotments
Commercial Portfolio
Property Assets


TOTAL EXPENDITURE
£900,000
£800,000
£700,000
£600,000
£500,000
£400,000
£300,000
£200,000
£100,000
£0
Daneshill
Swingate
Depots
Community Centres
Pavillions
Play Centres
Museum
Market
Car Parks
Cemeteries, Toilets, Allotments
Commercial Portfolio
TOTAL EXPENDITURE

Other Financial pressures

Regeneration Ambitions

Public Sector Offices

To deliver the Council's ambition for regeneration of the Stevenage Town Centre, substantial capital investment will be required to develop a new Public Sector Hub which will replace the Council's current operational and main corporate offices. The aim being to construct a more efficient corporate building with lower running costs, funded through the SG1 scheme.

Leisure Sector

The council has to consider timescale for replacing or upgrading Stevenage Arts and Leisure Centre and Stevenage Swimming Centre; both council-owned but operated by Stevenage Leisure Limited. These assets represent an ongoing challenge to the council due to their age and commensurate cost of sustaining these facilities. A new town centre leisure offer is anticipated to contribute to the town's regeneration. The council will need to consider a robust business case for the development of a new leisure asset, including planned property maintenance programme for any new facility. Future procurement for the operation of leisure facilities will need to clearly identify repair and maintenance liabilities and a sound programme of componentised asset management. Consideration will also need to be given to the disposal, demolition or re-use of current sites.

The council will consider the provision of cultural assets as part of the town centre regeneration programme. Off-site museum storage is also currently located within the SG1 scheme. The forthcoming cultural strategy will highlight opportunities to develop further cultural assets, through maximising empty buildings for creative and meanwhile use, and re-imagining public realm through artistic installations and activities.

Community ambitions

A re-investment programme of circa £9.2m over a ten year period has been approved to re-furbish the Council's current garage stock. The Council has supported use of prudential borrowing powers to fund these works over a ten year period commencing in 2018, with limited re-investment of capital receipts released from garage sales.

2. Current State of the estate

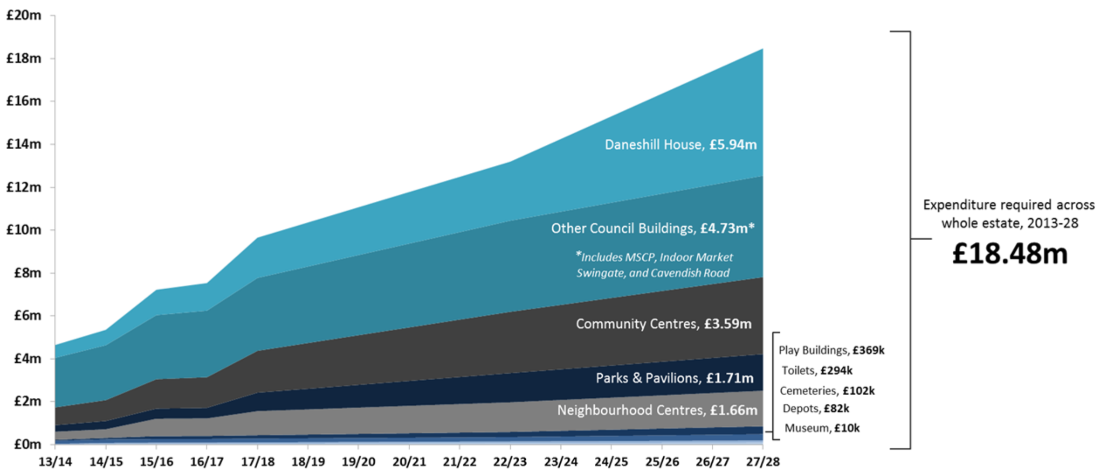
Back-log maintenance

Historically, the backlog maintenance and repairs for the corporate buildings have been identified from the condition survey. Yearly budgets have been included in the capital strategy to undertake the works identified dealing with the high priority items first.

The graph below, based on the condition survey carried out in 2012/13, shows expenditure required for the whole estate (with the exception of leisure and garages). This is broken down into key asset groups; Neighbourhood centres, Parks & Pavilions, Community Centres, Daneshill House and other Council buildings. The cumulative spend is £18.48m.

Cumulative spend required to maintain estate

As identified in 2013 Condition Surveys



Of the £18.48m, over the last 5 years approximately £1.996m has been spent dealing with works identified in the condition survey.

On average approximately £330K/year has been spent through the compliance service and reactive repairs. A further approximately £200K/ year has been spent dealing with reactive fix on fail repairs to the residential garages and £150K for the multi storey car park.

There has also been regular investment in the multi storey car park to deal with essential concrete repairs, anti-carbonation treatment and resurfacing the decks, amounting to around £750k over the last 5 years. A new measured term contract is now in place to carry out future concrete works as required on a priority bases. £225k per annum has been identified until 2022/23.

The maintenance cost for Daneshill House over the last 5 years is £450K and Swingate House, £50K.

Funding has been targeted to deal with the high priority items 1 & 2 (see priority definition below) and there has been significant success over the last 5 years in reducing the higher risk essential items through the delivery of a planned works programme. The Council's existing approach to repairs also includes undertaking some limited energy conservation measures.

The condition survey set a priority between 1 and 4 for each repair identified, with priority 1 and 2 relating to the most pressing items needing earliest attention. For example:

Priority 1 – Essential health and safety requiring immediate attention

Priority 2 – Health and safety works
Statutory and legislative works including DDA compliance
Watertight and secure
Essential H&S repairs to maintain operations and ensure that the premises can continue to operate providing a fit for purpose facility for the occupants and users of the premises.

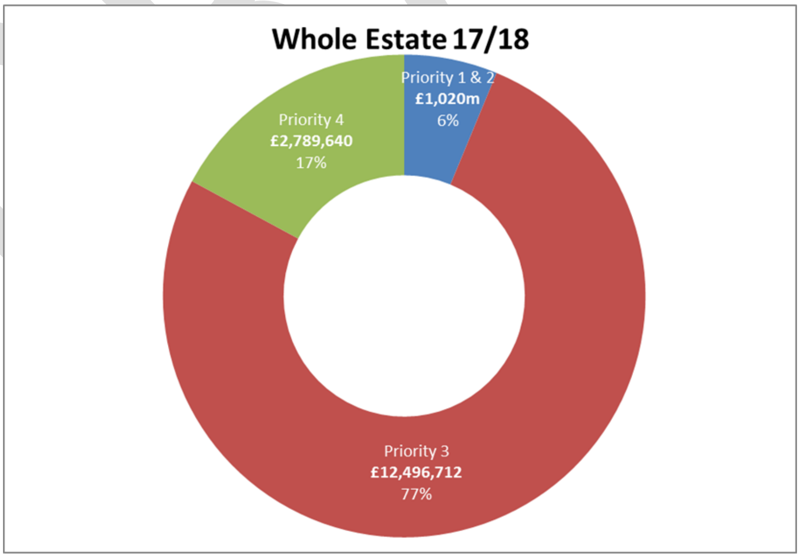
Priority 3 – Economics of repair – works requiring earliest rectification reducing the need for more extensive repairs in the future
General repairs and improvements providing improved energy efficiencies.
Refurbishment and improvements to maintain operations and, ensure that the premises can continue to operate proving a fit for purpose facility for the occupants and users of the building.

Priority 4 – General repairs and improvements – cosmetic

The table below shows the amount invested dealing with the priority 1 & 2 items (shown in blue) this amounts to around £2M over the last 5 years. This information is based on the 2012/13 condition survey data.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6-10	Yr 11-15	Total O/S
Priority	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/2022**	**2023/2028**	
1&2	607,825	200,061	213,339	175,528	800,000	510,000	510,000	*1,020,000*
3	2,807,500	341,735	1,250,377	194,900	1,139,725	2,340,725	4,421,750	*12,496,712*
4	521,111	161,373	309,656	90,400	454,575	650,750	601,775	*2,789,640*
Total								***16,306,352***

The outstanding funding required to deliver the remaining priority 1&2 works is £1,020,000 and priority 3 & 4 works around £15M as shown in italics in the table above. The chart below shows this position pictorially. This cost does not include Neighbourhood Centres, Leisure or Garage assets as these were not part of this 2012/13 condition survey data.



Condition surveys of the commercial building stock (Neighbourhood Centres) are still required to identify the council's responsibilities and liabilities for repairs. Around £200K has been spent on maintenance over the last 5 years on commercial properties, this has increased by a further £100K following the acquisitions of properties in the Town Square.

Over recent years, the garage repair and maintenance budgets have been limited to deal with reactive repairs only amounting to just over £1M over the last 5 years. A separate Stock Condition Survey carried out in 2013 identified a funding gap of nearly £9.2M that would be required to bring the 6,664 garages stock into a fit for purpose condition. This was underpinned by work carried out by an external Consultancy.

Compliance Contract

This contract has an annual spend of circa £216,000 for the compliance inspection and servicing tasks related to 69 council buildings and around a further £120K for the associated reactive maintenance repairs. Although the delivery by a single supplier and the volume of work is increased by the inclusion of the other LAs as previously mentioned, this will deliver financial savings through economies of scale, reduction in contractor and client management. However these savings cannot be quantified.

Energy Audit

The measures identified in the 2014 energy audit survey included heating controls and insulation (items essentially with no greater than eight year payback period), and potential saving of £22,876.00 per annum, following a capital investment of £87,164. However, on working through implementation, it became apparent that some of the measures in relation to Daneshill House could not be actioned because of the current condition and fabric of the main building structure. This reduced the potential savings.

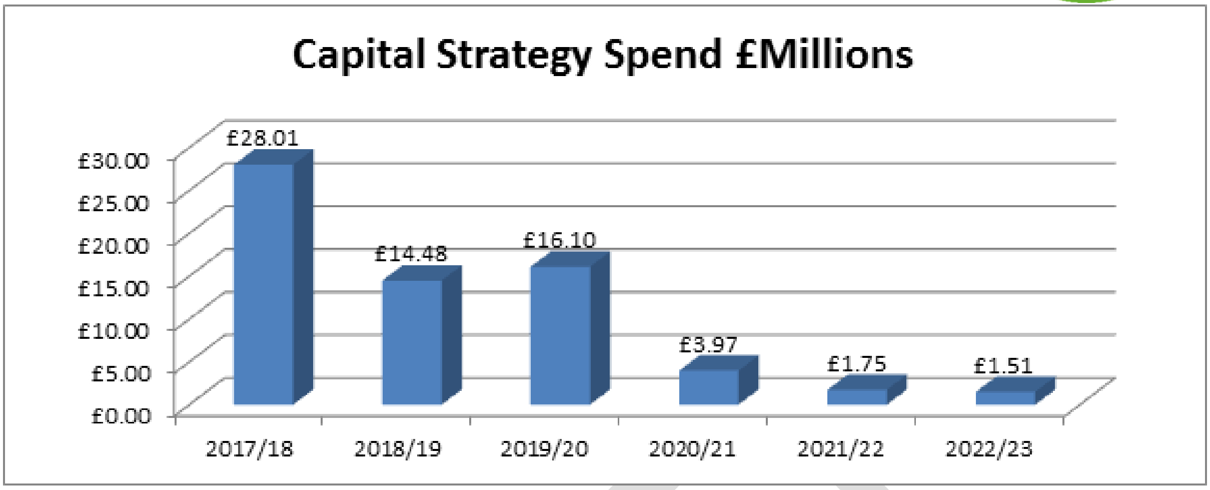
3. Capital Programme

The Capital Works Programme for 2018/19 has identified a potential spend of £14.483m (including equipment) if all the capital schemes are supported. This is identified in the table below, which shows the schemes and the anticipated availability of resources to meet that kind of capital spend.

Scheme	2017/2018 January Revised Budget £	2018/2019 January Projection £	2019/2020 January Projection £	2020/2021 January Projection £	2021/2022 January Projection £	2022/2023 January Projection £
General Fund - Schemes						
Stevenage Direct Services	2,198,360	1,174,560	1,291,750	706,660	697,730	783,960
Housing Development	2,512,230	1,101,330	330,000			
Finance and Estates	16,161,040	3,302,810	2,830,720	2,120,220	390,000	90,000
Corporate Projects, Customer Services & Technology	440,200	632,250	300,000	300,000	300,000	300,000
Housing and Investment	1,689,470	1,175,500	90,000	5,000		
Regeneration	3,921,810	6,066,010	10,800,000	500,000		
Communities and Neighbourhoods	236,080	92,750	44,000	20,000	40,000	20,000
Planninig and Regulatory	847,500	938,200	413,000	318,000	323,000	318,000
Total Schemes with Growth Added	**28,006,690**	**14,483,410**	**16,099,470**	**3,969,880**	**1,750,730**	**1,511,960**
General Fund -Resources						
Capital Receipts	3,898,060	4,417,467	1,865,278	692,178	277,758	171,488
New Build 1-4-1 Receipts - Additional Funding from HRA for RP Grants	2,499,730	551,330				
Unpooled Receipts	49,560					
Grants	407,000	300,000				
S106's	8,540	25,000				
LEP	3,000,000	5,200,000	10,300,000			
RCCO	4,000	394,000	4,000	4,000	4,000	4,000
Regeneration Asset Reserve		140,500				
Capital Reserve (BG916 Revenue Savings)	723,000	720,000	720,000	720,000	720,000	720,000
Capital Reserve (BG903 Housing Receipts)	1,299,673	373,313	386,472	386,472	386,472	386,472
New Homes Bonus	746,997	395,230	258,000	312,000	362,500	230,000
Prudential Borrowing Approved	15,370,130	1,966,570	2,565,720	1,855,230		
Unapproved Borrowing						
Total Resources (General Fund)	**28,006,690**	**14,483,410**	**16,099,470**	**3,969,880**	**1,750,730**	**1,511,960**

This will result in a £1.967m short fall overall in 2018/19 and the need for the Council to fund the gap through prudential borrowing if capital receipts diminish as shown in the table.

In reviewing the Capital Programme for 2018/19, some options were not supported or required further reviews of assets prior to their inclusion in the programme. These options included car park resurfacing, works to the Indoor Market, Community Centre review and works to Cavendish Road depot.



The table shows significant spend in the first 3 years of the programme. There is a likelihood the capital programme is not fully identified for 2020/21 onwards. A new condition survey for GF assets and an intention for a programme of planned maintenance of a sustainable portfolio will influence future years.

4. Current system and processes

New Data management

The Council's general fund property data is currently held within the GVAS property management software system. This software holds data on all building assets owned and occupied by the Council including core property data, history (condition survey and maintenance) and property ownership data including lease information. However, this existing software is no longer fit for purpose, representing a security risk and therefore is scheduled to be de-commissioned in April 2018. Alternative software options which already exist within the Authority are being considered by the main users; Estates, Property & Design, and Facilities Management.

A good asset management system is essential to effectively and efficiently manage the estate. For example in respect of the non-operational estate, without one, the Council will not be able to trigger multiple rent reviews in a planned manner nor anticipate lease expiry dates and lease renewals ahead of the due date. All of which can have an impact on rent forecasting and actual rental income received.

5. Culture

The day to day responsibility for general fund assets is currently split between various teams across the Council. The Commercial /non-operational portfolio is managed by the Estates team reporting to the Assistant Director of Finance. The corporate offices are managed by the Investment and FM teams reporting to separate ASDs. The rest of the operational portfolio is divided between the Assistant Director of Community Services, and the Assistant Director of Direct Services, with maintenance and capital advice being given by the Property Investment Team. At its worst, these teams tend to work in silos, with limited overlap, making property decisions in isolation. There is no one single conversation (Corporate Landlord) regarding the future of assets. There is no clear framework for the management and collective maintenance of all property assets within this

Council, which exposes the Council to risk of failing to comply with legal duty arising from the ownership of property. There are benefits with the Corporate Landlord approach to include incentivising services to utilise property efficiently so that assets match service needs, where capital investment can be prioritised, ensuring maximum benefits accrue from property assets.

SUMMARY

It is clear that the challenge faced in respect of the financial landscape is significant, with a projected need to spend on assets which far out-strips the ability to fund the works due to capital receipts drying up, and the continuing deterioration of the stock. If the Council is to realise its regeneration, housing and neighbourhood ambitions, there must be a step change in its future approach.

A new condition survey of all general fund assets is anticipated to add a further 10-20% (between £1.6m and £3.2m) on to the repair cost for the next five year to keep the assets functional. This does not even cover the cost of any improvement.

The Asset Review of 2012 saw very little change in the asset numbers, and as a result the Council has been faced with focusing its attention on essential health and safety work to keep 69 operational buildings fit for purpose. This is unsustainable in the long term, without secure funding (i.e. a pipeline of capital receipts)and requires a more radical approach to avoid further reliance on prudential borrowing (which to date has been used to support income generating asset schemes). Use of Prudential borrowing is also now subject to more scrutiny by Government who are concerned at the financial risk this presents for local authorities.

CHANGE PROPOSED

A. Undertaking comprehensive Locality Reviews

A programme of high level area reviews of land and assets will be carried out across the whole of the borough, with a view to challenging in a rigorous way the Council's held estate, without (at first sight) knowledge of the running costs, or condition surveys, and using available spatial mapping software (e-PIMS and new digital mapping software). This high level property challenge will include consideration of outcomes from the review of the HRA held estate and, also look at opportunities for joint asset working across a range of public sector organisations, where there is a willingness of the property owner to participate.

These reviews will result in a list of opportunities within the reviewed area which may generate new sustained revenue income, improve office efficiency/utilisation for operational assets, or potential co-location of public sector and community groups, invest to save opportunities, and/or releasing surplus land and buildings. Opportunities will be considered in conjunction with service led business reviews and aligned to objectives arising from the One Public Estate agenda.

A similar review of two council owned assets is illustrated in the case study below.

CASE STUDY: SYMONDS GREEN

Symonds Green Community Centre and 145 Scarborough Avenue – Activities serving this community centre were traditionally split across two sites, including a building known as Symonds Green Annex. Working with the community group, a redesigned footprint for the main community centre was agreed, and the premises extended. All services were relocated and this has released the second building, Symonds Green Annexe for future housing.

The reviews will be based on proven methodology including an initial desktop study, taking into account outcomes from previous Asset Review, followed by field-work and analysis, and workshops with stakeholders with property ownership within the locality area.

The phasing of the reviews where possible to follow quick wins identified from existing property intelligence and where possible to follow the programme plan schedule for the Co-Operative Neighbourhood Management programme. The scale and progress of the review programme will depend upon resources (Staff capability and knowledge, and available budget) and available capacity.

The intention will be to complete all the reviews early within the five year plan period (see Appendix B - AMS Action Plan).

B. Reviews of specific asset groups

The Locality reviews will also be cognisant of existing reviews of specific asset groups that are taking place at the time of the review.

The Council is continually looking at ways to improve the delivery of services, which may drive and impact on use of its operational assets.

The Council recognises the importance of making the best use of its existing buildings. Therefore, we will continue to explore viable opportunities to enhance existing facilities, and where possible build new, funded through the release of land for sale for housing (direct or indirect provision). Making sure that any new facilities we build give residents easier access to our services with flexible footprints, and benefit from new energy efficiency savings.

The Council is undertaking a series of asset group reviews, either driven through necessity or financial need, which will cut across locality reviews. Two are included below as examples.
The Council is currently carrying out a review of its community centres at the current time. This will offer opportunities for possible change following a review of existing provision. The review is scheduled for completion during 2017/18. The Council is also intending to review its Pavilions, including impact from Community Centre proposals, and future requirements.

The council will need to develop a consistent approach to its relationship with voluntary organisations and council assets. Beyond the community centres, voluntary organisations occupy a number of other council-owned properties on varying lease terms and arrangements. A rent-in-kind policy has been adopted for community associations and is being applied to some other voluntary organisations. Given the voluntary sector represents large national and international NGOs and CICs and smaller, self-help unincorporated associations the council will need to consider the levels of support offered. In order for small voluntary organisations to make successful external grant applications there is generally a minimum requirement from funders for a 10 year lease. In some instances community asset transfer will be an option benefiting both the council and the voluntary organisation. Alternatively a long, full-repairing lease may be more appropriate. The approach to voluntary sector organisations will need to protect council and community interests with minimal future financial strain on the council but recognising the need to enable voluntary organisations to thrive to bring added social value to the council’s property portfolio.

The Town Centre assets will be reviewed in conjunction with the aspirations for Town Centre Regeneration. This Public Sector Hub will be a building of high quality design, allowing the Council to relocate from its current office premises and other public buildings, which will be demolished as part of the SG1 regeneration scheme. The new building will be energy efficient and help reduce ongoing revenue costs. This will also include a review of car parking strategy and future retention.

The provision of cultural assets including the Gordon Craig Theatre and Stevenage Museum will be part of a new emerging cultural strategy, and the provision will be considered as part of the Town Centre Regeneration programme.

C. New Condition Survey

The current corporate buildings condition survey was undertaken in 2012/13. It is generally recommended that this type of survey is renewed every 5 years. A new condition survey will be commissioned of all the Council's building stock including commercial properties and Leisure assets.

This will provide the Council with valuable current data on the condition of its assets, be that poor, fair or good, and will provide a basis for a planned maintenance and investment programme.

To support this new survey, it is proposed to improve existing processes and data collation to ensure that the Council is aware at any point in time what repair work and expenditure has been made against individual assets. This will assist with the locality reviews and future use considerations.

D. Investment Performance of the existing commercial stock

As a separate piece of work on asset performance monitoring, it is proposed to undertake an initial and comprehensive audit of the existing commercial portfolio to include carrying out a tenant and lease review (including average unexpired lease terms), rent status and estimated rental value analysis (under-rented, rack rented, over-rented), void analysis (including costs), Capital Value analysis with yield (showing softening, stable or hardening trends) and with potential for a RAG scoring for additional asset management opportunities to generate income or disposal. As part of this audit, consideration will be given to the future estate management model to manage the optimum portfolio base.

Following this initial audit, the Council will be able to track future asset performance through an agreed performance monitoring matrix or set of indicators. This will help determine whether the Council should retain or dispose of the asset. This principle was agreed as part of the new Investment Strategy.

E. New models of investment

The Council is looking at ways to improve commercialisation through its additional powers in relation to prudential borrowing and general powers of competence in order to generate new revenue streams or to release revenue savings. These new models of investment include the following;

(1) Making property investments
(2) Taking the developer role in the Borough and making better use of existing capital resources
(3) Setting up a Housing Company to both generate income and capital and meet social need
(4) Review of energy generation and supply as well as saving energy

(1) Property Investments

The Council approved a new £15million investment fund in May 2017 to acquire new commercial property investments with the Borough Boundary, to help support the Financial Security work stream. Acquisitions will be based on a new 3 year property investment strategy with the aim of generating new rental income of £200k per annum. The Council is using prudential borrowing to fund these acquisitions (subject to any Government guidance on Local Authority investments).

Current acquisitions are being led by one in-house staff member. As the portfolio grows, consideration needs to be given to whether one or more dedicated staff members is required (to ensure focus on these acquisitions and management of the new portfolio including performance monitoring, stress testing and reviewing rental growth). This may involve future employment of a team for business continuity and upskilling to include operational service charge management to reduce management costs.

This may also include considering shared acquisitions with another authority where there may be synergistic rewards and shared risk.

(2) Disposal and Development Strategies

The Council is preparing separate disposal and housing development strategies in relation to delivering on housing development and financial security targets. These strategies will need to be aligned.

In principle, where a disposal site has been approved for sale by Executive, there will be a requirement for a capital receipt to help fund the Council's capital programme. The Council will consider the best method of disposal per site; traditional sale method, joint venture sale, vis-à-vis taking on a developer role benefitting from profit in addition to releasing market value of completed units, or transfer to the HRA (for Housing Development) or as part of the delivery programme for a Housing Development Company, based upon the merits of enhancing maximum land value and timing of receipts.

With the last three options, the Council will be taking on the developer role, constructing homes for either affordable homes or private market rent or private market sale. In the latter case, the Council is able to benefit from a share of the developers profit, in addition to a land receipt.

(3) Housing Development Company

The Council is investigating setting-up a Housing Development Company that will allow it to hold stock other than the tenures that exist within the HRA such as for example private rented and sub market rented products. The creation of a Housing Development Company will allow the Council to utilise its general fund assets in a mature more innovative way, and benefit from the uplift created by the development process, the additional new build premium, as well as increasing the scope for creative development and cross asset development.

For larger development sites, the traditional route of disposal on the open market by auction (followed by many local authorities) is not appropriate in order to maximise development value. It is believed that the Council's current asset portfolio that includes a number of community centre sites and shopping parades could provide an opportunity for housing led regeneration that also creates better community and retail assets, with an opportunity to realise greater benefits in terms of capital receipt. Clearly the size of the scheme together with its cost and time for delivery impacts heavily on the investment needs of the project. The Council will always need to balance its other commitments and statutory service provisions with any investment decision in development activity.

Therefore project specific consideration will be given to schemes to determine best route for delivery that balances risk, reward and time (as well as cost and quality). There will be some schemes that the Council elects to deliver in-house and others where it carefully seeks an appropriate Joint Venture partner from the private sector.

(4) Energy Generation and Supply

During the life of this Strategy, the Council will review via cost benefit analysis entering the energy generation and supply market, including utilising space on the roof of existing corporate buildings. Further roll out programme of energy audits will be considered in 2018/19 following the conclusion of the first audit (17 assets).

F. Current systems and processes

The Council is currently reviewing new Estate Management software known as Uniform/IDOX, with a view to adoption of this system for holding its property data. Data migration from the former GVAS Property Management System will be due by April 2018. This new system will be based on a digital map, which will allow Property teams to review assets holistically, and will be an important aid to the Locality Reviews envisaged above. As part of the implementation of this new software, the Council will be looking to develop some local key performance indicators for its commercial and investment stock that can be easily monitored through the software program. These indicators will help determine how effective the portfolio is performing against key business objectives.

Condition survey data may be held in second software application known as Keystone and managed by the Housing Investment Team, following decommissioning of GVAS. There are already skilled personnel familiar with this application which also holds similar housing property data, thereby improving risk management.

G. Culture

The Council is proposing to review and develop a more formal Corporate Landlord role within the Council that will provide a clear framework for the management of all its assets. This should be seen as a positive contribution to cultural change within the organisation and will ensure that asset management planning becomes an integral part of the Council's Strategic, service and financial planning process.

As its basic principle, the Council owns all the assets, and Services only occupy property to provide a service on behalf of the Council. In this manner, occupation is usually documented by way of a licence. The service use of the asset is based upon clear objectives within their Service business plan. The Council as corporate owner is able to challenge, review use and performance to ensure that assets are fit for purpose and that retention and investment is focussed on achieving Corporate objectives. The Corporate Landlord will collaborate with the Services in undertaking option appraisals of operational assets to ensure service needs are met.

Conclusion

The next five years will be challenging. There are a suite of recommendations within this Strategy which will hopefully help the Council move to a more sustainable financial position and shape an optimum portfolio that will support delivery of council services.

This may be achievable by:-

- continually reviewing the whole portfolio and working with services to identify opportunities to reduce the number of properties by divesting the Council of poor condition/high cost assets, thereby increasing efficiencies.
- Maximising Regeneration opportunities to transform office space to support new ways of working and deliver asset collaboration with public, voluntary and community sector partners.
- Continuing to target expenditure to accord with the Capital Strategy, but also seeking to reduce costs and deliver targeted savings within the five year plan.
- Focussing on delivery of the capital programme more efficiently, with creative use of assets to help with FTFC objectives.
- Locality reviews to identify opportunities for efficiencies and new disposal sites. These will be undertaken in the early years of the Action Plan to help identify new capital receipts after 2020/21.

All these objectives should help the Council move towards a more sustainable approach going forward.

New Asset Management Targets

These are notional targets for the life of the Strategy, but should be the subject of review on an annual basis.

- 40% Reduction in office accommodation space occupied corporately
- 20% Reduction in controllable running costs of office accommodation
- 20% Reduction in controllable running costs of community buildings
- Generation of £7.5m capital receipts (to be informed by the locality reviews). This target includes £5m disposals previously agreed by Executive - July 2013.

DELIVERY ARRANGEMENTS

Right Skills

The Estates Team are able to provide and oversee all property matters which arise from the Asset Management Strategy and the team should be involved in any transaction that involves GF land or buildings. The Corporate Landlord Function will be led specifically by the collaboration of the Estates and Property Investment teams. As the Council develops both housing and commercial assets it is clear that synergies exist within these programmes and the skills needed in order to achieve success rest within the Estates and Housing Development teams.

Greater collaborative work across teams is paramount to achieving long term successful outputs for the Council and ensuring that the work for individual staff members is enriched and diverse. This includes the capacity of the Estates Team to deliver on locality outcomes, acquisition of new property investments and the knowledge to introduce a Corporate Landlord approach.   As the programme expands, consideration should be given as to whether the team can actively handle the full work stream to ensure business continuity. There may be a requirement for upskilling the right staff to lead on programmes or outsourcing discreet tasks to maximise return.

Governance arrangements

Within the past 12 months, a new Asset and Capital Board (ACB) has been set up under the direction of new Strategic Director.

Asset and Capital Board

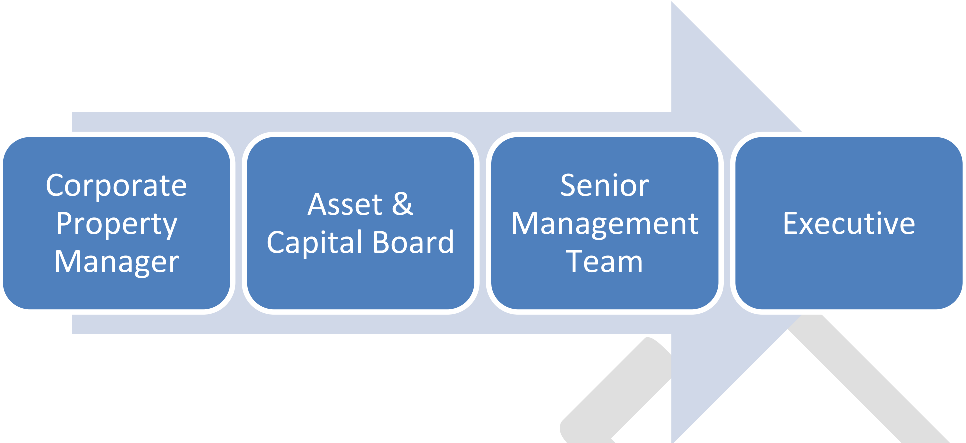
It is the intention of this Board that ACB play a key role in preparing and implementing the corporate objectives within the new emerging Asset Management Strategy for both GF and HRA assets.   The Board is chaired by a Strategic Director (Corporate Property Officer) and supported by the Assistant Director (Finance & Estates). This will provide a forum for a high level discussion and decision forum on recommendations coming forward from the Locality review work, One Public Estate and other property initiative (Housing Development and Regeneration). Membership of this group includes Senior Officers from across the Council including Property and Housing Investment, Estates and Housing Development. The terms of reference of the Asset and Capital Board are attached (APPENDIX D). It is proposed that the Board will continue to exist for a further two year period in order to oversee the outcomes from this Asset Management Strategy, particularly regarding the introduction of a Corporate Landlord role.

Senior Leadership Team

The outcomes from the ACB are escalated to the Senior Leadership Team (SLT) as appropriate. The membership of SLT is at present the Chief Executive, Assistant Directors from within each service department as well as the Corporate Property Officer and the Borough Solicitor.

Member involvement will include participation of the Resources Portfolio Holder in the stakeholder meetings for the locality reviews.

Having the correct organisational framework in place is an essential step in being able to develop and deliver effective corporate asset management. Aligning the new FTFC structure with other relevant parts and activities of the Organisation is critical in ensuring that asset management is properly connected and integrated with the Council’s overall management and planning of its resources and services.



Future town future council

APPENDIX B Overview of the Council's Non Housing Assets

Property Description	Number	Current gross income where applicable (Rounded to the nearest 100)	Gross Value as at March 2017	Total Gross Value for each asset group
Operational Estate				
Civic office - Daneshill House	1	£172,900	£8,372,300	
Swingate House	1	£37,400	£754,200	
Depots	3		£3,749,300	**£12,875,800**
Community				
Community Centres	11		£2,431,100	
Community Arts Centre	1		£85,800	
Pavilions	11		£1,141,900	
Play centres	3		£587,200	**£4,246,000**
Leisure				
Golf Course	1		£1,014,600	
Sailing Centre	1		£97,400	
Valley Sports Playing Field	1		£25,100	
Leisure Centre	1		£15,915,250	
Swimming Pool	1		£3,121,210	
Allotments	15		£248,500	
Football Stadium	1		£1,125,000	
Museum	1	£0	£0	**£21,547,060**
Economic Development				
Business Technology Centre	1	£1,403,800	£4,976,300	
Chells Enterprise Village	16	£135,040	£792,300	**£5,768,000**
Town Centre				
Surface car parks	13	£2,900,600	£12,863,500	
Multi storey car park	1	£485,000	£2,558,400	
Stores	2		£69,500	
Bus Station	1		£1,245,000	
Indoor Market	1	£512,800	£696,300	
Westgate Centre ground lease	1	£240,000	£3,664,700	**£26,866,000**
Garages				
Commercial garages	57	£39,900	£470,000	
Residential garages	6607	£2,890,000	£14,000,000	**£14,470,000**

Other				
Cemeteries	2		£272,600	
Hostel	1		£193,000	
Public conveniences	5		£483,200	
Remaining surface car parks	4	£169,400	£616,400	**£1,568,200**
Commercial Portfolio				
Shops	176	£1,493,000	£13,331,400	
Workshops	20	£92,000	£566,200	
Surgeries	11	£109,000	£1,359,000	
Warehouses	2	£1,900	£75,200	
Public Houses	9	£49,900	£820,600	
Maisonettes	5	£22,300	Inc in Shops	
Scouts	6	£4,200	£152,200	
Agricultural land	3	£4,500	£359,300	
Miscellaneous commercial	18	£126,100	£1,364,400	**£18,028,300**
Assets held for Regeneration				
2 & 4 Town Square	2	£0	£1,070,800	
The Plaza	8	£324,000	£3,092,100	
Town Square shops	14	£621,500	£6,382,500	
Town Square offices	8	inc above	inc above	**£10,545,400**
Surplus Assets	6	£0	£1,055,400	**£1,055,400**

Notes:
Values taken from 2016/17 Asset Register (values as 31st March 2017).
Valuations are based on DRC, Market Value and Existing use, as appropriate
and do not necessarily represent potential capital receipts.

APPENDIX C

Profile of the Estate

Over-view

The portfolio can be currently grouped into six broad categories:

Asset Category		No of Assets
1	Operational (i.e. running services from)	85
2	Non-operational (i.e. tenanted non residential estate)	250
3	General Fund Garages (inc Commercial garages)	6664
4	Assets held for Regeneration	32
5	Surplus Assets	6
6	Strategic Land sites	4
Total		7041

This total excludes any statistics for parcels of land which the Council currently hold freehold. As the major land owner within the Borough this extends to all amenity land within 10 square mile radius of the town centre.

Specific Groups of Assets

1. **Operational assets**

Current value (existing use) £12.9m (March 2017)
Income stream £282,730.

These are assets held for operational/service use. It includes civic offices at Daneshill House, Swingate and three operational Depots including Cavendish Road and the Nursery Depot at Shephalbury Park. In addition, this category includes leisure facilities, community centres, pavilions and play centres.

2. **Non – Operational assets**

These are assets from which the Council derives revenue income in the form of rent. The collective annual income generated in 2016/17 was £6.24m (gross yield of 27.5%). This category can be split into three broad groups; the Council's commercial portfolio, Property Investment, and the General fund garage stock.

2.1 Commercial Portfolio

Current Income per annum - £3.21m
Market Value £18.03m

There are 250 assets within the commercial portfolio, which represents approximately 3.5% of the whole portfolio, and these were generally built in the 1960s and 1970s spread across 16 different neighbourhoods within the Borough. The shops are situated in mainly tertiary locations, and serve the immediate local community. These assets have been historically held to meet two key objectives (1) Maximise rental income across the commercial portfolio and (2) Provide a wide range of local services for the benefit of local people.

The commercial portfolio can be broken down further in to the two largest categories, 176 shops (66%) and 20 workshops (8%). There are currently 3% of voids within the stock, and this is a fairly consistent number. The remaining number of assets (54)fall within the miscellaneous category.

Within this portfolio are nine, third party voluntary sector lettings, which are held for community and social value rather than income generation.

2.2 Property Investment

Target Income per annum: £100k (2017/18) and £200k (thereafter)
Current market value £15m

The Council approved a new Property Investment Strategy in May 2017, supported by an investment pot of £15m with a view to acquiring commercial property assets within the Borough boundary to generate new sustainable rental income. This includes the local employment areas supporting the Borough. £8.45m of new investments are currently being pursued, generating new gross income of £625k. A copy of the Property Investment Strategy is available upon request.

2.3 Garage Stock

Current Income per annum; £3.03m
Current Value (Existing use) £14.5m

There are 6607 residential garages held in the General Fund, which generate a significant annual income and a further 57 commercial garages. The Council approved a £9.2m investment fund in 2016/17 to reinvest in 676 garage blocks to bring the condition of the garages up to a fit for purpose state, releasing other garage blocks for redevelopment where necessary and ring fencing the receipts to reduce reliance on prudential borrowing. The investment will fund a five year programme of refurbishment.

3. Assets held for Regeneration

Current Income per annum: £837k
Current Value (Existing use): £10.5m

These assets consist of 32 individual properties situated within the town centre. These assets were acquired by the Council in 2013 and 2015 at a current value of just over £10m and purchased specifically to help enable town centre regeneration.

4. Surplus assets

Market Value: £1.05m

There are currently six assets identified within this group which are a mix of buildings and vacant land, and declared surplus in the Council's Asset Register. As there are no strategic reasons for continuing to hold them, they have been declared surplus and now held for future disposal.

In reality there may be more than six surplus assets. The Council is a major landowner within the Borough, and although not specifically identified, there will be smaller parcels of land that may come forward for future disposal as a result of the outcome of further locality reviews that are proposed in the action plan attached to this Asset Management Strategy, and also as a result of resident direct approaches identifying potential sales of smaller greensward areas, adjacent to residential properties. These applications will continue to be considered as part of our small land sale process.

4 Strategic land sites

There are four Strategic land sites.

Two of these sites are actively being promoted, and the Council is likely to see substantial capital receipts from these two in the next two years. Receipts from these disposals will be needed to help support the financial cost of the Council's regeneration ambitions in the Town. Strategies in relation to bringing the remaining sites forward are being considered as part of the AMS Action Plan attached.

The Estates team are in the process of preparing a new Disposal Strategy which will consider the proposed methodology for reviewing large and small parcels of land within its ownership.

APPENDIX D

ASSETS AND CAPITAL BOARD

Terms of Reference

The Assets and Capital Board is proposed to be the key senior Officer decision-making forum for effective strategic management of the Council's assets, and design / delivery of the capital programme.

It brings together the lead roles from across the organisation to develop and shape strategies to support and enable the delivery of the Council's FTFC programme and MTFS. It will oversee delivery of key programme commitments; consider options for land use (e.g. disposals, assembly, alternative ideas for use); provide strategic advice to the SLT and share best practice.

Board Composition
Strategic Director (Chair)
Assistant Director – Finance
Assistant Director – Housing Development
Assistant Director – Stevenage Direct Services
Interim Head of Asset Management
Acting Head of Property and Estates
Property Development Manager
Corporate Property Manager
Capital Accountant

Relevant Assistant Directors or other senior team members will be invited to join for specific items as required, for example when consider alternative uses of operational assets or reviewing delivery of projects.

The role of the Assets and Capital Board will be:

- Supporting the development and delivery of the Asset Management Strategy and annual delivery plans which reflect the Council's priorities and MTFS
- Oversee development of options for land use, acquisition, development or disposal
- Oversee the development and delivery of the development / disposal programme
- Leading the development and review of capital or investment-related business cases, including the annual capital bidding process
- Acting as programme board to review delivery of capital projects and the capital programme as a whole; including exception monitoring of capital project delivery
- Make recommendations to SMB on options for strategic use of assets to deliver Council priorities or MTFS requirements

- Advice on supply chain, contracts and resources needed to deliver our property / estates objectives
- In addition to the above, the Board will work on developing / approving plans and guidance that underpin key strategies as required.

This Board has a key role in helping to assure successful development, delivery and management of the Council's asset and property base. It may initiate and receive reports in relation risks and compliance of existing assets / property or initiate work to further strengthen the strategic management of our asset / property base.

As a key advisory group, the Board will support development of new plans and strategies, including development of Committee papers on key areas of policy / strategy prior to submission to SLT.

Frequency & administration of meetings

The Board will meet every two months with the regular frequency to be determined once the level of workload is fully realized. Meetings will be recorded and the minutes will be approved at the next meeting.