

Property Asset Management Strategy

1. Introduction

Property is intrinsic to the council's everyday functions. It touches everything that the Council does and the way in which residents access and experience services, both directly and through other organisations. Property forms the basis of the council's fixed assets and potentially accounts for both substantial income and considerable expenditure.

The council therefore needs a strong and positive strategy with which to deal with its property assets, in order to: -

- ensure that the management of its assets is aligned with council strategies and policies.
- create a strong basis for delivery of services for residents and stakeholders,
- improve utilisation.
- secure minimum expenditure with maximum receipt while providing the best quality assets possible within resources.
- deliver strong, positive management of the Council's assets, fiscally, physically and from a net carbon zero perspective.
- have clear agreements relating to third party use or occupation of the Council's Property Assets.

This strategy sets out the key principles that will guide the Council's management of its property portfolio and will assist the council in taking a holistic and proactive overview in managing its property assets.

In seeking to ensure effective implementation, the Asset Management Strategy seeks to place property considerations at the heart of all of the Council's operations. It will become an intrinsic part of planning service delivery, generating income and supporting better engagement with residents.

To deliver, effective engagement and understanding between services is required, with a view to creating a single vision of strategic property asset management which will enable better delivery of services.

The strategy and associated policies and procedures will also provide direction and clarity on what happens when a property asset is no longer required for its current use. This will include considering re purposing, working with stakeholders to identify positive alternative uses or looking at options as to how best dispose of an asset to optimise a capital receipt.

1.1 The Challenges

Property has a substantial influence on how we go about achieving the aims of the Corporate Plan, in both the short and long term, and is a key consideration in both service planning and financial strategy.

We are a forward thinking, ambitious council and whilst the developments we have invested in have helped to drive the Council's ambitions forward, the legacy of the pandemic, the pressure on public finances and the current cost of living crisis provide substantial challenges.

Whilst property assets can help drive income generation, many of our buildings are beyond their economic life or represent challenges in terms of maintenance due to their listed or heritage status. The need to invest in new facilities in an era of austerity, has resulted in a large backlog deficit which needs to be addressed. The aim is to create an estate of a standard that reflects the needs and meets the requirements of our residents and our services.

Climate change is also a huge challenge, which the Council has placed significant emphasis upon. In driving towards successfully implementing the council's declaration to be carbon neutral in service delivery (by 2025) and as a borough (by 2030), Council owned property must play a central role. Our premises and estate is a large contributor to our carbon footprint and it will be an important consideration in reaching our targets.

The Asset Management Strategy builds on existing good practice and demonstrates how the council will utilise property to support the aims of the Corporate Plan. It does so by categorising assets and setting a framework for the review of these as follows:

- The Operational Estate
- The Community Estate
- The Commercial Estate

2 What the Council's estate looks like

2.1 Operational Estate

Our operational estate includes assets that are held and occupied for the direct and indirect delivery of services. These are made up of:

- Core Operational Assets – these enable the council to deliver core services to residents, for example, offices and depots.
- Other Operational Assets - this includes assets which facilitate wider service delivery, but for which the Council has either no statutory or direct delivery responsibility. Examples include a number of leisure properties.

There are many challenges facing our operational estate due to its age, fabric and condition, which represent increased cost and health and safety risks. Due to the change in working practises and digital innovations many of the operational assets

are underutilised and we do not occupy these properties efficiently. Many are also near the end of their useful life or poorly performing in terms of carbon emissions due to ageing plant and poor insulation. It is also an area in which the Council is making investment, notably through the acquisition of property to help meet demand for temporary accommodation.

2.2 Community Estate

We have a unique mix of Community assets ranging from halls and community centres to a museum and a skate park. These properties are held on a mixture of short and long leases, with some being the benefit of a Community Asset Transfer (CAT).

The Council's Community Asset Strategy has been the basis for these transfers and seeks to empower community groups and protect assets, with governance to require business case and financial planning before an asset is transferred. Successful transfers have generated a number of benefits for the community and for the Council. However, this has not always been the case, with management issues or difficult economic circumstances meaning resources have been required to provide additional support, with a risk of assets returning to the council which would present capital or reputational risk. This should be considered in terms of the effectiveness of community asset transfers moving forward.

2.3 Commercial Estate

The Council currently has in its ownership a range of leased assets which would be classed as commercial property. These assets are a mix of retail premises, commercial leisure, industrial, offices and a variety of ancillary commercial uses such as kiosks and advertising hoardings. The net annual rental income of these assets is £2,019,883.

Our commercial property portfolio is exceptionally top heavy with a number of key property assets being responsible for the majority of this income.

3 Aims of the Asset Strategy

The aims of the Asset Strategy are to:

- Make it a priority that the Council only retain land and property where it makes strategic or financial sense to do so. This should be to deliver services in line with corporate priorities, to generate income, to provide a return on investment, to enable regeneration or to provide social value.
- Reduce the carbon emissions of the estate to as low as practicable and maximise the use of land, the estate and investments to offset remaining emissions and increase biodiversity.
- Ensure that all the retained **operational estate** is used efficiently and effectively to deliver or support the delivery of good and efficient public services.

- Use the **Community Estate** to deliver social value, where it makes sense to do so. This needs to be judged in a consistent fashion, through the development of a social value calculator based on measurable metrics to ascertain the level of any rent subsidy provided by the council.
- To continue to make socially productive use of land and property and build community wealth by means of asset transfer and ensure that transferees are supported and educated to protect those assets.
- Maximise income generation from the **Commercial Estate** and Investment Portfolio, to support the Councils direct services and the medium-term financial strategy.
- Manage our heritage assets in a proactive way.
- Use Council property assets to support the delivery of regeneration priorities in Swale, working with partners and other landowners, where it makes sense to do so.
- Undertake a rolling asset review program to identify surplus assets that do not meet the above criteria for disposal that generate vital capital receipts as well as make savings on maintenance, running and holding costs.

4. Delivery

4.1 Key principles

The Operational Estate will be managed through a Corporate Landlord Model, acknowledging that Council property is a corporate resource. This will require co-operation and resource committed to an officer property review group. This will ensure that the right internal stakeholders have input into recommendations to Members and decisions taken under delegated authority, in the context of the Council's strategic priorities and objectives. A draft terms of reference is found at appendix 2.

We require a complimentary financial framework that reflects the need for budget centralisation, so that asset related expenditure is strategically allocated, easily identifiable and managed by the Corporate Property Team.

We will ensure that our estate supports the wider regeneration aspirations of the Council and provides an important contribution in the development of any overarching Regeneration Strategy.

Property decisions will be made in accordance with the Council's constitution and defined policies and procedures in a consistent and transparent manner and comply with legislative requirements such as the Local Government Act 1972.

To enable decisions to be informed we will maintain a complete and accurate property register.

All tenants should have an appropriate occupational agreement, which should be actively managed. To assist in achieving this Property Procedure Rules have been developed which set a uniformed approach to all leasing arrangements.

We must ensure that all properties within the portfolio are statutorily compliant.

All income generating property should be properly maintained and in a tenantable condition and a Planned Maintenance Program based on current stock condition be resourced and implemented appropriately.

Use of property space should be maximised to ensure that void periods are minimised.

The environmental impact of assets will be minimised, as far as is practical and affordable.

We will carry out a continual asset review program which will consider all assets the council holds and identify those which are surplus against the criteria set out in the Council's Disposal/Asset review Policy.

We will consider options for surplus assets, where there is opportunity to enhance value, support regeneration priorities and resource steps which support this in advance of disposal, where it makes financial sense to do so.

4.2 Immediate Action

The Director for Regeneration and Neighbourhoods will drive the implementation of the Asset Strategy

An officer Property Review Group will be formed with new terms of reference and report to the Departmental and Executive Management Teams, and in turn the relevant committees on the delivery of the Asset Strategy and key strategic property decisions.

A Corporate Landlord model will be established, and an asset review program of all the Council's Assets will be undertaken.

The asset review will enable the identification of assets that no longer meet the Council's key strategic priorities and corporate objectives. This will inform recommendations for how we can achieve best overall value for the Council, via disposal and community asset transfer.

The Disposal/Asset Review and Community Asset Transfer (CAT) policies will be used to guide this activity. The recommended principles for updating these are found at Appendices 3 and 4, but wider consultation with the relevant internal and external stakeholders, in particular in relation to the CAT policy, will be undertaken to inform these.

Appendix 1: Summary of Property Assets

Asset type	No of Assets
Operational Assets	
Car Parks (pay & display)	26
Car Parks (other)	21
Administrative offices	3
Sports Hall and Pools	5
Recreation Grounds, Parks, Open Spaces	119
Sports Pavilion's	3
Country Parks (buildings)	2
Quayside	1
Seafront	11
Housing (temporary accommodation)	3
Cemetery Land, Chapels and Stores	9
Public Monuments/Memorials	5
Public Clocks	9
Public Conveniences	12
Air Quality station	1
Gypsy Site	1
Community Assets	
Tenanted Community & Leisure assets	36
Allotments	10
Heritage Assets	7
Commercial Assets	
Investment Properties	19
Shops	8
Offices	3
Depot	1
Markets	3
Agricultural/Grazing Land	4
Identified as surplus land and buildings	20

Information about the Council's property assets can be found at [Performance and Transparency - Transparency \(swale.gov.uk\)](https://www.swale.gov.uk/performance-and-transparency)

Appendix 2: Property Review Group – Terms of Reference

Purpose

The purpose of the property review group will be to provide officer input from across the Council, into all recommendations to Members and decisions taken under delegated authority for all property and related matters. Its role is consultative and its membership will be drawn from those departments which have an interest in or use of the Council's property assets. The property review group will also promote a corporate landlord mindset and approach across the paid service of the Council.

Property Activity

To consider all changes in occupational arrangements of the operational estate.

To monitor the ongoing asset review process and inform recommendations and decisions for disposal, redevelopment, and retention of assets.

To provide a forum for consideration and agreement of cross departmental uses of assets to enable a cohesive approach to the management of SBC's portfolio.

To receive updates and monitor the Council's PPM processes and capital programs relating to its property assets.

To review the commercial estate's key performance indices included rent roll, rent arrears and progress of Lease Renewals and rent Reviews.

To receive drafts, and comment on all committee reports relating to SBC's property holdings.

Core Membership

- Director Regeneration & Neighbourhoods (Chair)
- Head of Regeneration, Economic Development and Property and Interim Head of Planning
- Head of Housing & Community Services
- Head of Environment and Leisure
- Head of Finance & Procurement
- Leisure & Technical Services Manager
- Strategic Programme and Assets Manager
- Strategic Assets Manager
- Estates Officer

Attendance will be required from other services areas, based on the agenda for the meeting.

Conduct of the meeting

Meetings will generally be held bi-monthly, in advance of the relevant committees. Online input may also be required between meetings, where a consideration is more urgent.

In setting the agenda for a meeting Members should raise any items they wish to be considered through the Chair of the Regeneration & Property Committee, who will advise the Chair of the Property Review Group of items for consideration.

The agenda and any papers be circulated at least 3 days prior to a decision deadline and/or meeting wherever possible.

Notes of any meetings will be circulated within 2 weeks of the meeting, with actions agreed.

Officers named for actions in the notes will update the group on progress against these tasks, either at the next meeting or in advance, as required

Reporting

To present an annual report to EMT detailing the commercial estate's performance indices and progress of ongoing asset review.

Appendix 3 Principles for a Disposal/Asset Review Policy.

The Council's disposal policy will reflect the aims of this strategy in respect of continual asset review, rationalisation and streamlining of the property portfolio. It is key that the Council continually assesses the financial viability of its assets to guide disposal decisions, but also takes account of the wider set of considerations. The continual review of the Council's Assets ensures the efficient and effective management of the Council's property portfolio, maximising value for money, contributing to the Council's long-term goals, and promoting economic development.

Criteria for Disposal

The following criteria shall be considered in determining the potential disposal of an asset:

Financial Viability

The financial viability of retaining or disposing of an asset will be assessed. This includes a thorough evaluation of the ongoing maintenance and whole life costs, potential income generation, the projected market value of the asset and whether this can be enhanced in advance of any disposal.

Long-term Council Goals

The alignment of the asset with the Council's strategic goals will be considered. These goals may include service delivery objectives, community needs, and the Council's sustainability targets.

Community Benefit

The potential community benefit of retaining or disposing of an asset will be assessed. This could include the potential for the asset to be used for community facilities, affordable housing, or other community or operational use.

Regeneration

The potential for the asset to contribute to economic development or wider regeneration in the borough will be considered. This could include the potential for job creation, business development, and the promotion of economic growth.

Legislative Framework and Government Guidance

This policy will comply with the relevant UK legislation and Government guidance, including but not limited to:

- The Local Government Act 1972: which gives local authorities the general power to dispose of land held by them in any manner they wish.
- The Localism Act 2011: which introduced the "General Power of Competence" providing local authorities with greater freedom to act in the best interests of their local communities.
- The Ministry of Housing, Communities & Local Government's (MHCLG) Non-Statutory Guidance on Disposal of Land by Local Authorities (February 2020):

which provides guidance on achieving best consideration for the disposal of assets.

The Council's Property Asset Disposal Policy will ensure that decisions regarding the disposal of Council-owned assets are made in a transparent and accountable way, maximising the financial, social and economic benefits for the borough and its residents.

Surplus Properties

An asset shall be deemed to be surplus to the Council's requirements if one or more of the following apply:

- (a) It makes no contribution to the delivery of the Council's services,
- (b) It has no viable potential with regard to the delivery of the Council's Corporate Plan
- (c) An alternative and more cost effective service delivery site has been identified.

A site is deemed to be under-used if:

- (a) The income it generates is below that which could be achieved from one or more of:
 - (i) An alternative use
 - (ii) Disposing of the site and investing the income
 - (iii) Intensifying the existing use, mindful of the viability of doing so
- (b) A significant part of the site is vacant and is likely to remain so for the foreseeable future and has no potential with regard to the delivery of the Council's Priorities.
- (c) The cost of retaining the asset outweighs its likely income generation

Appendix 4 Principles for Community Asset Transfer Policy

Community Asset Transfers (CATs) can provide significant benefits to both local councils and community groups by empowering communities, promoting local stewardship, and potentially reducing expenditure for the council. However, the process needs careful handling, particularly when it has resulted in subsidy from the Council to the community group and ultimately does not absolve the council from repair obligations.

The CAT policy should consider the following points:

1. **Risk Management:** Identify potential risks and develop a risk management strategy. This could include financial risks, the risk of asset mismanagement, and the risk of community conflict. A comprehensive risk management strategy will help to mitigate these risks and ensure the long-term sustainability of the asset transfer.
2. **Community Engagement:** Engage the wider community in the decision-making process for asset transfers. This can help to ensure local buy-in and support and may also open up additional sources of support and funding or alternative transferees.
3. **Clear Communication:** Be transparent about the nature of the transfer and its potential implications. Ensure community groups understand that they are receiving a valuable asset that equates to a subsidy and what their responsibilities will be, particularly regarding property maintenance and repairs. This can prevent misunderstandings and mismanagement down the line.
4. **Long-term Financial Planning:** Community groups will be required to develop robust long-term financial plans that account for ongoing maintenance and repair costs. This might involve setting up a sinking fund for future repairs or seeking external funding sources.
5. **Legal and Contractual Clarity:** Ensure that the legal agreements surrounding the asset transfer are clear about who is responsible for what specifically regarding outgoings and repair obligations.
6. **Regular Monitoring and Evaluation:** Implement a monitoring and evaluation system to track the performance and impact of the transferred assets. This will allow the council to intervene if necessary and provide additional support to the community group. This will also prepare the Council should it become clear that the asset is likely to fall into disrepair or be mismanaged.
7. **Exit Strategy:** Every transfer should have a clear defined exit plan in place for what happens if the community group is no longer able to or have failed in managing the asset. This might involve transferring the asset to another group, selling it, or returning it to council control.

Community Asset Transfers will place a resource burden on the Council, above and beyond the required community engagement around an opportunity and the management of any transfer. The extent of this will depend on the capacity of interested community organisations to understand the obligations that come with a

particular Community Asset, prepare a sufficiently robust business case to satisfy the Council and subsequently manage the asset successfully.

To pro-actively pursue Community Asset Transfers the Council may also need to consider resourcing support and training for community groups to ensure they can build and present a sustainable business model and manage and maintain the assets effectively. Whilst some external funding may be available to support this on occasion, no existing resource is currently available to support this.

Where a business case is unsustainable, or progress towards a business case is not within appropriate timeframes, Council Officers will need to make recommendations based on property, strategic and financial considerations. This would maintain the focus on minimising risk and maintaining the long-term viability of the Councils Assets, which is key to supporting the wider delivery of services.