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## Asset Management Plan (AMP)

**Notes:**

1. The document attached is an extract of the 2015 Property Asset Management Plan produced by SWT in May 2015. It remains subject to validation by Surrey County Council (SCC) Property Services.

2. This Annex has been attached to the Cabinet report to describe the processes, procedures and policies by which the AMP will be managed.

3. Details of specific properties covered by the AMP have not been included as they contain commercially sensitive information.

4. The Profit & Loss statement for the Property Repair Fund has not been included as it contains commercially sensitive information.

5. The potential income generating proposals for the portfolio have not been included as they contain commercially sensitive information

**Annex 3: Asset Management Plan (AMP)**

**Surrey Wildlife Trust**
**Surrey County Council Countryside Estate**

# Property Asset Management Plan 2015

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## 1. Introduction and background

1.1 In 2002, Surrey County Council (SCC) and Surrey Wildlife Trust (SWT) entered into a 50-year Agreement for Services under which the Trust manages the SCC Countryside Estate on behalf of the Council. The objective was, and is, to deliver benefits to both parties and for the operation of the Contract to be a co-operative and mutually supportive partnership. The Service Contract between SCC and SWT delivers the Council's two main aims: ***nature conservation*** and ***public access and benefit***.

1.2 To achieve the service delivery, the Service Contract provides for SWT to use and occupy SCC owned property via two leases whereby the land and buildings within the Countryside Estate are leased to SWT co-terminously with the Service Contract which places on SWT the obligation to manage the Estate. The Contract is delivered through a Service Delivery Specification (SDS) revised in March 2010 and further reviewed in 2014. The two leases are the Phase 1 lease covering the non commercial land and buildings and the Phase 2 lease covering the commercial land and buildings.

1.3 Underpinning the Contract were three principles:

- The Phase 2 properties would be managed more effectively and achieve a higher rental return in real terms than that which existed in 2002.
- The net rental return would fund the repair and maintenance costs of the Phase 2 lease properties as well as the roads, tracks, bridges and car parks within the Phase 1 lease, and make a substantial contribution towards delivery of the main aims of the Service Contract.
- The total expenditure on the Countryside Estate would be limited to all the funds raised through the Estate whatever the source and would be spent only on the Estate

1.4 There are a number of SWT obligations across the two leases, primarily that the permitted uses are those for purposes connected with the Service Contract and in accordance with the SDS and Management Plans, and secondly that the repairing obligations (particularly to the Phase 2 properties) are undertaken such that these properties are safe and fit for purpose to a minimum standard comparable to the condition as at the of inception of the lease. This is to be evidenced by condition surveys at regular intervals. All legal obligations relating to property compliance and landlord and tenant matters must be met. The standard set in 2002, and referred to in the leases, related to the Fitness Housing Standards outlined in the 1985 Housing Act, amended in 2004 with a revised standard called the Housing Health and Safety Rating System (HHSRS).

1.5 The AMP should be seen within the context of the County Council's own Strategic Asset Management Plan, originally produced in 2002 and updated in 2013 in accordance with government guidance. In 2009 it was discussed and agreed that SWT should produce an Asset Management Plan to compliment that of the County Council thereby ensuring the assets would be managed within an agreed strategic framework.

1.6 The AMP does not cover the open spaces, e.g. the commons, but focuses on the buildings, other built infrastructures, the commercial properties and the public car parks. The open spaces are covered by individual Management Plans. Although nature conservation and public access are the direct public benefits, the maintenance of buildings and structures is critical to the Council's property asset base. That asset base is the value of the investment made by SCC into the agreement.

## 2. Description of Properties

2.1 In general the Countryside Estate comprises 6,500 acres, has 30 residences, five let farms, historic and listed buildings, visitor facilities, roads, tracks and bridges, and a sawmill from which timber products are manufactured.

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2.2 Most of the buildings and structures are pre 1945 and the last period of new build occurred in the 1960-70s. Many of the properties are situated in Norbury Park but otherwise there is a County-wide geographical spread. There is an extensive let estate (Phase 2 lease) raising income to repair and maintain properties and with any surplus supporting service delivery and buildings in the Phase 1 lease ie. those occupied by SWT or required to deliver the Service Contract such as, for example, visitor centres, historic features, operational bases and tied housing.

2.3 Appendix A shows a list of properties by type and tenure of tenancy.

2.4 A Stock Condition Survey was carried out in 2010 to confirm the current condition of the built properties within the Countryside Estate; this Condition Survey is currently being updated in 2015 and will be repeated every 5 years. Generally, the survey in 2010 found that most properties were, for their age and construction, in average condition, a few were in good condition and some, a higher number, were in moderate condition. All properties comply with the HHSRS standard (one exception may be Lilac Cottage on Norbury Park which is being separately addressed).

2.5 A Condition Survey was not conducted prior to the transfer of the properties to SWT in 2002. SCC undertook to put the properties into a condition which was acceptable to both parties prior to the transfer and these works were done over the period 2002 -2004 by SCC's retained building surveyors. The lease was then signed in November 2004. An overall Condition Survey was not completed to establish condition prior to SWT's management but SCC hold some individual assessments together with survey information and lists of work undertaken .

2.6 The current level of Backlog Maintenance, those works which had been identified within the 2010 Condition Survey but not completed due to budget constraints and reconsideration of the necessary timeframes for repair, will be clarified once the 2015 Condition Survey is completed.

2.7 The portfolio of properties within the Countryside Estate has not changed fundamentally since 2002 but there are some exceptions. The most notable changes relate to Tied Housing; in 2002, 14 houses occupied by tied occupants were included in the lease; in 2015, 10 of those houses are now subject to short term lettings, 1 was surrendered to SCC and 3 remain as tied accommodation. In the 2010 review of the Contract, it was formally agreed that SWT could commercially let housing that was no longer required for tied occupants and SWT has actively managed that process to enable increased income to be achieved.

**3. Context**

3.1 The AMP will be updated every 5 years to reflect both changes to the portfolio holding, market forces, and strategic drivers.

3.2 There is an expectation and requirement that property management will respond positively to the increasing challenges of environmental sustainability, given it is a key objective of both the County Council and SWT, and this will be achieved where finances allow.

3.3 Changes to the minimum energy performance requirements of rented properties will impact fully in 2018; a survey of all properties will be commissioned in June 2015 to establish the current rating for each property (updated from 2010) together with the necessary works required to achieve the minimum D rating to enable continued tenancies. Work has already been carried out gradually over the last few years to improve energy performance where possible and needed whilst undertaking routine repairs.

3.4 There is an anticipated aim that the overall Countryside Estate, of which property is part, is increasing income and generating new income in order to work towards being self-sustaining financially by 2021; this relates to the Financial Formula for the management of the Estate by SWT on behalf of SCC.

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## 4. Objectives and Operational Methods

4.1 In pursuance of the Trust's and SCC's vision, the objectives of the AMP are:

4.1.1 To work in partnership with SCC to achieve the best built property facilities possible, within the resources available, for the tenants, which will mean maximising the use of assets to ensure they are there for future generations and do not deteriorate and that they drive additional service benefit.

4.1.2 To manage the properties to an agreed specified standard, ensuring that systems and processes reflect best practice and achieve results in line with the agreed Key Performance Indicators.

4.1.3 To ensure the leased land and buildings retain and where possible improve both their condition and asset optimisation (or usage) for both the Countryside Estate and SCC.

4.1.4 To produce an annual financial surplus, where possible, once property maintenance and other direct costs have been undertaken, that will support the service contract, and implementation of the SDS.

4.2 Achievement of the objectives will be effected through:-

4.2.1 Planned property maintenance work, outlined in the Repair and Maintenance Programme (RMP) to set an appropriate long term standard in accordance with the relevant statutory requirements and repairing obligations set out in the leases. This standard to be no less than that outlined in the HHSRS (Housing Act as amended 2004).

4.2.2 A detailed per property assessment to identify the appropriate works necessary via a revised Stock Condition Survey due to be completed at the end of June 2015; this will build on and confirm the broader results of the Stock Condition Survey that SWT carried out in 2010.

4.2.3 Maximisation of rental income within service level constraints and minimisation of bad debt and letting voids; achievement will be measured through the KPI.

4.2.4 Investigation of improvement opportunities, linked either with potential for increased income, improvement of the property asset, or compliance with energy efficiency rating requirements, outlined in a business case together with return on investment or capital value where appropriate.

4.2.5 Adherence to good estate management practice so that:

- 4.2.6 whether tenanted or occupied relevant legal tenancies or licences will be in place to protect the asset
- 4.2.7 tenancies are dealt with fairly and tenants communicated with on a regular basis whilst still gaining the best use of the asset for the benefit of the Countryside Estate
- 4.2.8 rent reviews are undertaken in a timely fashion
- 4.2.9 all legally required inspections, such as gas safety, fire certificates, boiler servicing are undertaken and records kept with necessary work undertaken as required.

4.2.10 Maintenance of full and proper records for all properties and structures; these are currently mainly paper records but electronic spreadsheets, financial records and electronic copies of leases are also held.

4.2.11 The present manner in which SWT implements the objectives is via employment of a Property Manager, who is a Chartered Surveyor, responsible for implementing, overseeing and organising the property functions within SWT additionally procuring external specialist skills as required including legal, building surveyors, fire or energy efficiency specialists, land agent, estate or letting agency. 6

4.2.12 Compliance with the KPIs put in place (outlined below).

## 5. Governance and Performance Measures

5.1 Achievement of the objectives outlined above in 4 will be measured against the Key Performance Indicators set out below against which SWT will report to SCC on an annual basis in addition to quarterly updates to officers via the Delivery Group and biannual reports to the Partnership Committee (as outlined in the SDS).

5.2 The SDS and Governance structure ensures that there are regular quarterly meetings, linked to the existing Quarterly Delivery Group Meetings between SWT and SCC Officers, with additional meetings agreed if necessary. The meetings will include officers from the SCC's Countryside and Property Services and appropriate officers from SWT.

5.3 The following Key Performance Indicators (KPIs) were reviewed in 2014:-

- To achieve a rental return of 90% of market rent, measured using appropriate average rates related to location and condition, allowing for restrictions such as farm tenancies and tied properties.
- To measure the delivery of the Asset Management Plan (AMP), objectives will be measured against the property condition survey, which will include an assessment in relation to energy efficiency requirements to meet minimum standards, the Stock Condition Survey, updated in 2015 and every 5 years thereafter.
- To keep rent arrears at less than 4% per annum, measured at the completion of year end.
- To ensure that the vacancy rate of occupied property is minimised and after taking in to account time between tenancies for refurbishment (not to be more than is reasonable), the average rate is less than 7.5% per annum.

## 6. Operational Specifics

### 6.1 Repair and Maintenance Programme (RMP)

To gain an overall and independent assessment, SWT commissioned a Stock Condition Survey in 2010 from Fairclough and Company, Chartered Building Surveyors, which formed the basis of the initial RMP from FY 2012/13.

The Survey took as its measure a 20 year repair standard that reflected the age, construction, use and status of the asset acknowledging SWT's liability span is up to 2052. The survey distinguished repair from replacement, considered a rebuild rather than a repair where appropriate and made some assumptions, in keeping with surveying practice, about parts of the property which were inaccessible and could not be fully inspected at that time.

Generally the Survey in 2010 found that most properties were for their age and construction in average condition, a few in good condition and some, a higher number, in moderate condition. The survey did not include roads and tracks, car parks and bridges but an estimate for these elements was included in the RMP.

The RMP largely reflected the survey for the five FYs 2012/13 to 2016/17 but has been adjusted to take account of past experience and knowledge and the respective liabilities in each property's tenancy arrangements.

6 Similar survey work will be undertaken every five years to update the Stock Condition Survey and provide information details for the next cycle of the RMP. The update of the SCS will take place in June 2015. A separate survey of the bridges which are within the Countryside Estate will take place in 2015, utilising work completed by SCC in relation to Highways, but additionally identifying condition and the need for any remedial or future works.

In more detail, the current RMP figures are produced to reflect the following four priority spend statement which mirrors that of the County Council:

1. Risk of closure of building/premise and thus possible loss of SDS performance and income
2. Statutory, legal and regulatory obligation, e.g. tenancy obligations
3. Prevention of deterioration - long and short term
4. Regular Maintenance Work e.g. external redecorations.

The RMP exists to ensure maintenance work is planned and delivered in a structured way and to ensure all cyclical maintenance ensuring compliance is carried out. The planned nature of maintenance work is proven to reduce costs, moving from reactive and repair maintenance to a planned preventative regime. This is based on life-cycle estimates and the assumptions set out below. The chosen life cycles are mainly for budgetary planning purposes and may not be reflected in the actual spend as this will depend upon property specific circumstances at the time:

1. The present letting arrangements and the repairing liabilities.

2. The average period of replacement of kitchens and bathrooms is 10 years, with some exceptions, boilers 15 years, and sewage treatment plants are re-commissioned every 25 years.

3. External repairs and decoration implemented on average every 5 years and internal redecoration every 7 years.

4. The acknowledgement that refurbishment works are often initiated when the property is vacant.

5. The inevitability of reactive repairs impacting on the planned programme.

6. The assets remain physically as they are without any improvements or enhancements.

Major replacements and repairs are more costly and need to be separately labelled as a "major" within the RMP simply to aid with budgeting and cash flow. A major was defined by reference to cost and type of work, or both together, and was, in 2010, either any expenditure over £7,500, regardless of its type, or a one off replacement required for the duration of the lease and also likely be to a one off replacement for the lifetime of the asset. This financial definition of a major item has been reviewed up to £10,000 within the updated 2015 SCS.

Underlying the implementation will be the following practices:

1. Looking to effect long term solutions which provide value for money rather than short term quick fixes to problems.

2. Reviewing and reporting on that programme annually to reflect past performance and new demands.

3. Using SWT financial procedures, competent contractors and tendering procedures to ensure best value (comparable quotes, market testing).

4. Meeting all legislative duties of care responsibilities, for example:

- Environmental and clean water regulations
- Asbestos Regulations
- Waste disposal/hazardous waste regulations
- Health and Safety legislation and requirements
- Planning Acts and guidance notes
- Listed building requirements
- Landlord and tenant obligations



The RMP is a working document set out as a spreadsheet to provide a budget framework, as well as identified works, and includes within its summary details of expenditure, income, additional costs such as staff, professional fees and insurance. This is in order for the required Property Repair Fund concept to be followed for the management of the property portfolio within the Countryside Estate.

**Exclusions**: In 2011 it was agreed with SCC that the following properties, which require varying degrees of historical major maintenance or repair, would be excluded from the RMP figures; it should be noted, however, that minimal maintenance/repair is undertaken to ensure each property's physical integrity and that changes in its condition, or occupation, are reported to SCC. The identified properties were:-

- Semaphore Tower – historic monument remains in lettable condition but major work is required to rectify ongoing historical problems associated with the installation of the semaphore equipment. SWT have identified an option to resolve this liability which is outlined later in this report.
- Lilac Cottage – ex tied house, being over 130 years old, its basic construction is below today's standards (historically much work has been done to resolve damp issues but it remains poor) so producing a low rent, this property is unlikely to meet the energy efficiency rating requirements of 2018 so a separate case will need to be considered for the future of this property; it remains under constant review.
- Roaring House Barn – identified for surrender to SCC for sale
- Lodge Farm Barn – identified for surrender to SCC for sale
- The Old Observatory – surrendered to SCC in 2011 and sold, capital retained by SCC property
- Surrey Cottage, Chobham – ex tied house which required substantial refurbishment when vacated; work agreed and partly undertaken by new tenant in return for low rent period over 3 years; property due to attract commercial rent from mid 2015
- Swanworth Farmhouse – the proposed FBT for the farm allows for this farmhouse to be substituted for an alternative property thereby giving greater options for the refurbishment (major expense relates to the roof) and more advantageous commercial letting.

**6.2 Tied Housing**

A number of tied houses were included within the Phase 1 lease and were subject to clause 6.11 of the Phase 1 lease which states that they should be returned to SCC if no longer required as tied housing. However, this requirement to surrender ex-tied housing was removed following agreement of the AMP and the additional income thereof is now included within the RMP. This has been reflected in the SWT uplift performance of the income over the period.

At the time of the 2002 transfer there were 14 houses occupied by tied occupants. Since then, 10 have ceased to be so occupied and are subject to short term lettings and 1 has been surrendered to SCC. The present tied houses are:-

Holly Farmhouse, Worplesdon
Hempstead, Worplesdon
2 Copse Edge, Burpham

SWT's approach is to seek to improve their service effectiveness while at the same time acknowledging the inherited contractual basis. As and when the contract ends, if vacant possession is not given on the date of termination, SWT will take immediate steps to regain possession by the normal lawful means, allowing a rent

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free period of three months. The Trust will consider exceptional hardship cases deciding them on grounds without detriment to the service contract balancing the short term requirements with the long term needs and the obligations contained in the lease.

### 6.3 Farm Assets

There are five farms within the Countryside Estate, four of which are at present let on agricultural tenancies and one is in hand. They are regarded as valuable assets whether let or in hand giving financial, biodiversity, landscape, access and promotional benefits as well as being a physically integral part of the Estate.

Of those currently let, a review has identified that some of the present letting arrangements, which existed at the time of transfer in 2002, may not reflect the current interests of SWT or SCC and therefore steps are being taken to seek a more appropriate tenancy structure.

**Swanworth** – a new 10 year Agreement is awaiting the Tenant's signature which includes the option for the Landlord to remove the Farmhouse (replacing it with a cottage); the Farmhouse has substantial liabilities for repair, primarily the roof, but potential for increased income.
**Bocketts Farm Park** – The proposal to replace the present out dated agricultural tenancy with a more appropriate Farm Business Tenancy is well advanced and will be completed in 2015.
**Shabden** – The transfer to SWT of the farm, subject to the current tenancy, is to be included in the wrap up lease; at present SCC is addressing some outstanding repairs to the buildings, working closely with SWT.
**Norbury Park Farm** – SWT has commission a review of the present agricultural tenancy which is the major contributory factor to the underperformance of the farm from a landlord's perspective; this will need to be sensitively handled with the Tenant whilst at the same time attempting to better gain financial benefit from the asset.
**Pond Farm** – The formal transfer to SWT of the farm, already occupied by SWT, will be included within the supplemental lease; SWT is currently finalizing plans to invest in new buildings for which planning has been granted and SCC's consent as the lessor is required. The SWT Grazing Project, based at Pond Farm, pays a market rent for occupying the farm and buildings.

### 6.4 In-hand properties and Estate infrastructure

A small number of properties are used directly by the Trust to deliver the service contract or cannot be let out and thus have to remain in-hand. This number is minimised by way of an assessment of the service and operational requirements plus any opportunity cost and an investigation into alternative uses. The service requirement covers not only visitor facilities but also properties of a historic and landscape significance or which may be integral to the particular land holding.

The service properties are the same number as transferred in 2002:

Newlands Corner visitor centre and toilet unit
Chinthurst Tower
Chatley Heath Semaphore Tower
Hatchford Woods Mausoleum
Norbury Park Sawmill
The Granary at Roaringhouse Farm
Brockham Limekilns and two associated outbuildings.

The present operational properties occupied by SWT are:-

Countryside Depot East Horsley
The Nurseries and the Bothy Norbury Park
Chobham Common Management Office
Pond Farm Barn.

There are two main areas of infrastructure, which will give rise to regular expenditure, namely bridges and estate roads and tracks. The repair cost falls on the owner and is therefore transferred to SWT under the lease and the repairing covenants. A medium term repair and improvement programme for the car parks has been incorporated within the RMP with the outcome that these are now at an improved standard. The aims and existing plans for the roads and tracks are to effect long term repairs moving away from short term patch remedies. This will now require an inspection of the bridges, to be undertaken in consultation with SCC, and the roads and tracks to assess the current condition and prepare repairs and maintenance plan. Some of the structures and roads form part of the rights of way network and are already being inspected by SCC. 6

### 6.5 Financial Operation - Property Repair Fund

Subsequent to the agreement of the original AMP in 2011, the concept of the Sinking Fund was not feasible and it was replaced by the Property Repair Fund.

- Following the Cabinet Report of March 2010 it was agreed that Surrey Wildlife Trust would set up a Sinking Fund to contribute to major repairs and maintenance of the built infrastructure of the Countryside Estate, as set out in the Trust's Asset Management Plan, 2011.
- It was originally agreed by SCC Cabinet that the Sinking Fund would comprise the withheld portion of the income from the masts on the Estate, the income from former tied housing, now let commercially, and the income from Rykas, Burford Bridge.
- It has subsequently been agreed between SCC and SWT that all the income from property managed by SWT on behalf of SCC creates a Property Repair Fund which will then cover repairs and maintenance to the built infrastructure of the Countryside Estate, ie buildings, roads, tracks, bridges and car parks; this agreement is to enable transparency of income derived from property assets and avoid restrictions on expenditure as identified in the Repair and Maintenance Programme (RMP).

- The Property Repair Fund will:-
    - pay for the repairs and maintenance of the built property as agreed between SCC and SWT in the Repair and Maintenance Programme
    - pay for associated costs for managing the property portfolio, eg insurances, fees, staff costs, as identified within the RMP.
    - contribute towards the cost of managing the land on the Countryside Estate, this being the remainder after built-property obligations are met for the year. Figure to be agreed between SCC and SWT and currently in 2015 fixed at £88,000; going forward it could be calculated as a percentage of income. This contribution to the Estate was a principle of the Agreement. -

- The Property Repair Fund will be held by the Trust in a separate cost centre to allow it to be ring fenced and reported on separately.

- The Repair and Maintenance Programme is a rolling programme and so it will be reviewed annually to ensure that the Property Repair Fund can cover the costs and to adjust the programme in the light of any unplanned work/ significant increases in costs.

- Works that cannot be funded from the Property Repair Fund and can be classified as improvements will be referred to SCC with a business case for either direct investment via Investment Panel or other route (Property Investment Vehicle).:
    - The type of investment will be to enhance the service delivery, undertake large scale building works where significant improvement is or ought to be involved, and carry out property led improvements to the properties and letting arrangements beyond the scope of the annual revenue funds.
    - An enhancement is defined as a beneficial step change in the conservation and visitor services provision and can be an infrastructural as well as a service delivery change. An improvement to

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the physical fabric is defined as works beyond the definition of repairs as set out in the repairing covenants in the leases which might, for example be a new building, an addition to an existing building or a replacement of measurably higher standard;

- If SWT and SCC jointly identify an asset that could be released for disposal to fund significant improvement works or reinvestment, this will be discussed as part of the annual review process.

- Works which are a significant investment, designed to increase income, such as the upgrading of a residential property for holiday letting, will be identified and prepared as a proposal for investment. Each scheme proposal will be documented in a business case which would need to follow SCC process including consideration at Investment Panel and/or the Property Investment Vehicle as appropriate. The proposed funding stream would need to be documented alongside the rational for the change.

## 7. Review of RMP since initial AMP in 2011 – Expenditure and Income

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### 7.1 Expenditure

The RMP was developed in 2011 for an initial five year period activated with effect from the 2012/13 financial year (projections were also included for a full 20 years). The planned and actual spend, together with the forecast and budget figures for the first 4 years of the RMP are shown below together with the budget for FY 15/16. By the end of FY 15/16, SWT will have spent £802k against the original RMP budget of £819k; the underspend is largely in car parks, roads and tracks where savings have been achieved whilst still bringing those facilities up to appropriate standards.

The actual expenditure each year has not directly matched each allocated spend within the detailed RMP, as reactive measures have had to take priority over some planned expenditure, but this has been monitored and the RMP modified for the following year. This was done in consultation with SCC with the revised figures and plans approved for the following year. The outturn reports at the end of FY 12/13 and FY 13/14 highlight the amendments and where the money was spent on newer higher priorities.

Five years has elapsed since the initial Stock Condition Survey, which underpinned the RMP, was undertaken, so the projected figures for FY 17/18 and FY 18/19 are based on average expenditure until the updated Stock Condition Survey is completed. This is currently in hand and will be in place to inform the next 5 years of the RMP.

| First 4 Years of RMP FY12/13 to FY15/16 | Notes | Original RMP budget for 4 years | Actual FY12/13 to FY14/15 | Budget FY FY15/16 | Total | Variance |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| **RMP Expenditure** | | 594,784 | | | | |
| RMP Expenditure with inflationary % | | 628,451 | 465,678 | 160,634 | 626,312 | 2,139 |
| Car parks | | 105,801 | 80,494 | 15,687 | 96,181 | 9,620 |
| Roads and Tracks | | 84,641 | 56,390 | 22,698 | 79,088 | 5,553 |
| **TOTAL EXPENDITURE** | **1** | **818,893** | **602,562** | **199,019** | **801,581** | **17,312** |

1. Over the first four years of the RMP agreed in 2012 the planned expenditure on property maintenance was £819k. The actual and planned expenditure in fulfilling the RMP for the period will be £802k. The saving of £17k is largely from car parks and roads and tracks as they have been brought up to a good standard.

### 7.2 Performance measured using the Key Performance Indicators (KPIs)

Revised KPIs were agreed in the 2014 review.

- **To achieve a rental return of 90% of market rent allowing for restrictions such as farm tenancies and tied properties.**

In 2012, Surrey County Council commissioned an independent report to assess the rental and capital values of the property on the Countryside Estate as managed by SWT; this was undertaken by Chesterton Humberts. The report advised that the obtained yields were market comparable. A further independent report has not since been undertaken across the portfolio but the set rent for AST lettings (of which there are 22 on the Estate) are judged against the open market rents at the time of a lease review or a change of tenant; this judgement is achieved either by SWT advertising and letting direct or using two letting agents. The rents established for new lettings, quantified via the letting agents, are used when considering annual rent reviews for existing direct tenants.

All rents reflect the terms of the letting, and so in the case of pre 2002 lettings and the restrictions placed on the landlord by statute, the rents set may, on the face of it, not be comparable with present day lettings for which the same restrictions do not apply.

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**Note:** Research has not identified a useful benchmarking index (RICS, ARLA and individual letting agents do not produce such indices) but it is generally accepted that rents for existing tenants tend to be slightly lower than new lettings because a good tenant and secure income is valued and refurbishments occur mostly opportunistically when the property is vacant. Local statistical evidence is available and is reviewed for each new letting or lease review. If the tenant undertakes work which the landlord cannot or does not wish to fund, the appropriate full condition rent for the property is established and then discounted to accommodate the tenant funding and/or carrying out the work; the rent is therefore a market rent based on the terms of that letting.

For farm rents the market is less structured with far less available comparative lettings. Statistical evidence is less available and less helpful due to local variations and the variable state of each agricultural sector; this makes a direct comparison inappropriate. The Farm Rents Report from Defra published March 2015 gives very broad national averages and confirms Farm Business Tenancy rents are higher than Agricultural HA rents.

While the rent for the single dairy farm on the Countryside Estate (Norbury Park Farm) is lower than the average dairy farm, a whole farm review is currently under way. The Trust has regularly monitored the diary sector to assess the dairy unit and SWT has commissioned an outside consultant to assess and make recommendations on this holding.

The other sector rents, mostly livestock grazing the Estate, are at average levels.

The renegotiation of Swanworth Farm FBT was not undertaken as a normal open market letting due to the circumstances of the renewal but the rent agreed was based on rents which the Trust pays for similar lettings and also enquiries of similar landlords in Surrey. The FBT has been drawn up by specialist legal professionals.

Bocketts Farm Park rent is primarily from the visitor receipts and based on an agreed formula but discussions have been underway for some time to change the tenancy and consequentially to increase the rental elements of the fields and dwellings; a specific rental valuation was undertaken by an outside consultant who admitted this type of negotiation was nationally very rare.

There are only a few commercial lettings; the main one being the catering outlet at Ockham Common the tenancy of which was renewed in 2012 at a rent which was calculated by reference to similar outlets in Surrey.

The other lettings of small workshops are rented at a level which reflects the local workshop market having taken soundings from local agents and trawling the market for similar holdings.

- **The delivery of the Asset Management Plan (AMP) will be measured against the property condition survey (Stock Survey) completed as part of the Property Business Plan 2015 and every 5 years thereafter.**

The 2015 Stock Condition Survey is due to be completed by the end of June 2015 which will enable a full comparison to be made. It is known, however, that there are no notable deteriorations and some properties, listed below, have had their condition significantly improved due to opportunity (created by a change of Tenant) and the involvement of the Tenant in achieving the works:-

Surrey Cottage Chobham
Surrey Cottage Ockham
Nursery Cottage Norbury Park
Park Corner Cottage Norbury Park
Hempstead Worplesdon

- **To keep rent arrears at less than 4% per annum, measured at the completion of year end.**

The table below gives the figures

| Year | Rent due | Rent collected | % + - | Reason |
|---|---|---|---|---|
| 2012-13 | £352,863 | £344,068 | -3.68% | Non receipt of Swanworth Farm rent £9500 pa and one late AST payment. |
| 2013-14 | £381,078 | £369,461 | -3% | Non payment of Swanworth Farm rent |
| 2014-15 | £405,612 | £408.249 | +1% | The additional Bocketts payment over the expected has balanced AST debts of about £8,000 and the continued non payment of Swanworth Farm |

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The table assumes a Bocketts Farm Park fee based on 90% of the previous year's take and excludes Shabden Farm the rent for which is collected by SCC.

The Swanworth Farm debt is related to the negotiations related to the new FBT which is nearing completion; signing of the Agreement is subject to payment of the back rent.

The two AST debts identified in 2014-15 are being pursued through the courts following the appropriate processes.

- **To ensure that the vacancy rate of occupied property is minimised and after taking in to account time between tenancies for refurbishment (not to be more than is reasonable), the average rate is less than 7.5% per annum.**

Interrogation of the vacancy rates shows an overall vacancy rate of 1.3%.

The vacancies have been in the AST lettings, and out of 22 AST lets, only 7 changed hands in the period. The major vacancy was 5 months caused by two break ins within weeks of each other while the cottage was empty.

### 7.3 Income

The original five year RMP budgeted total rental income of £1.495m over the five years. Through active management of tenancies, reducing SWT tied housing requirement by 10 properties (9 brought back into market rental) and refurbishing properties to gain higher rent, the revised projection for the same period is £1.62m, an increase of £126k. The actual increase in the income over the first three year period is from £362,000 (FY12/13 budget) to £420,000 (forecast) at the end of FY14/15.

The forecast and budget figures, by property category, projected up to FY 18/19 are shown below both graphically and in table form and indicate steady increases (inflation at x% has been assumed). These figures are based on modest, prudent plans for the Estate and do not include the additional income generating plans outlined later in this report. What these figures show is that with good management, ongoing returns can continue to be achieved which will contribute to the sustainability of the Countryside Estate. Without the property portfolio within the overall Countryside Estate, this increase in contribution could not be relied upon or anticipated for future budgets and savings. Increasing property return is a key contributor to the required objective of bringing SCC's annual financial payment to the Countryside Estate to zero.

6

| RENTAL INCOME 2014/15 TO 2018/19 | Notes | FY2014/15 Forecast | FY2015/16 Budget | FY2016/17 Budget | FY2017/18 Budget | FY2018/19 Budget |
|---|---|---|---|---|---|---|
| **Rental Income by Property Category:** | | £ | £ | £ | £ | £ |
| Bocketts Farm | **1** | 121,000 | 122,761 | 128,395 | 131,736 | 137,678 |
| Other Farms | **2** | 39,460 | 40,218 | 41,175 | 41,175 | 41,175 |
| Commercial | **3** | 40,384 | 43,024 | 48,815 | 48,937 | 49,063 |
| Residential | **4** | 204,297 | 214,000 | 226,482 | 236,676 | 250,385 |
| Tied Housing | **5** | 5,400 | 7,758 | 14,618 | 18,781 | 20,245 |
| Additional Masts & Burford Bridge | **6** | 9,714 | 9,714 | 19,536 | 21,500 | 21,500 |
| **Total** | | **420,255** | **437,474** | **479,021** | **498,806** | **520,046** |

**Increases in Rental Income:**

1. Bocketts: Main part of the increase is from increased FBT rent following the expected new lease.

2. Farms: Rent reviews expected for Swanworth, Shabden and Norbury Park Farm - but are unlikely to be significant. A conservative approach has been taken as negotiations will be protracted.

3. Commercial: Increased income of £8k pa - mainly from starting a caravan site at Norbury Park. Most significant property is Ockham Bites.

4. Residential: Increase of £45k pa comes from a) improving letting market which has seen significant increases over the last two years and b) agreements offering lower rent for a fixed period to tenants to make improvements to properties - now attracting market rents.

5. Tied Cottages: Increase comes from moving one tied cottage to AST market rent; shown in this category for comparative purposes but the rent will in future be included within Residential.

6. The Additional Mast income agreed in 2011 was largely not received by SCC Countryside Services from SCC Property. This is currently being resolved. The figures here are for Burford Bridge. The additional mast income is unknown as reviews are underway by SCC but indications are that the rents will be reduced. The rental projections will be adjusted on completion of full information.