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PORTFOLIO: Property and Waste

Acquisitions & Disposals:

Cabinet has approved the disposal of Coxbridge Farm at Farnham, an asset which Surrey County Council has been promoting through the planning process. This asset secured consent for 320 new homes, of which 30% will be transferred as affordable houses to a Registered provider. The land is now under offer to a major housebuilder and will deliver a substantial capital receipt following an open marketing campaign.

We continue to bring assets to market for disposal where we can, following release by Services. We secured 13 bids on Karibu at Epsom and are now placing a best bid transaction in legal hands. We will also seek bids on the Hillside/Portesbery site in Camberley in the next period.

The capital receipts programme continues to target underused assets that can be declared formally surplus to Service use. The current target is £70m of capital receipts (which includes Coxbridge Farm) over this and the next three financial years. The programme also delivers some revenue savings from sales.

Acquisition activity remains focussed on three key areas – securing sites to support the approved SEND delivery programme, securing residential assets to support our Care Leaver and Childrens Homes programmes, and assessment of opportunities to support our Agile offices programme.

Halsey Garton Property Investments:

The commercial property investment portfolio now consists of 16 assets, and following the successful sale of an asset in Melksham earlier this year brings in an annual passing rent of £16.12m. Whilst similar property portfolios have an average running yield of 5.35%, as a result of our successful implementation of strategy to maximise revenue, our portfolio is returning 6.85%. Highlights over the last few months include:

- Worksop, Manton Wood: A new long-term lease is currently being legally documented with the existing sole tenant, at a 20% rental increase.
- Loughborough, Willowbrook: The anchor tenant has re-gearred their lease since year end, on a 15-year term at a rental 31% above that assumed in the March 2023 valuation.
- Winchester, Former Debenhams: a full Business Case was approved by SIB in July to proceed with landlord works to facilitate new lettings to 3 high quality restaurant tenants on the ground floor. These tenants are expected to be open and trading by Easter next year.

The Company is forecast to hold a positive cash balance until the lease expiry at Bristol (Aztec West) in June 2027. We are in discussions with the tenant regarding their future occupation and reviewing appropriate mitigations should they vacate.

Halsey Garton Residential:

The residential portfolio comprises 80 properties held on long-term leases, the majority of which are located inside of Surrey County boundaries.

Whilst the valuation of the assets has increased over the last year (as of 31 March 2023), this was mainly due to it being the first revaluation exercise for some of the portfolio since the long leaseholds were purchased from SCC. Specifically, the valuations at transfer were based on rentals at the time, whereas the revaluations also consider potential future rental increases at expiry of existing tenant leases.

This said, due to recent increases in interest rates, the Company is returning considerably lower than SCC's annual risk-free opportunity cost, which demonstrates that from a financial perspective it is better to dispose of the properties than continue to operate them. Furthermore, and given that we have identified some capital pressure on specific properties, SIB have approved that the future strategy for the company will be:

1. Not to renew existing occupational tenancy agreements when they come to expiry (except when they support (3) below).
2. Divest assets that do not deliver Surrey County Council Policy (SCC).
3. Retain and repurpose existing assets forecast for SCC policy.

Facilities Management Transformation:

A diligent FM Procurement exercise has been run by L&P with separate procurements being held for Hard FM (5+5 years) and Soft FM (3+2 years). Mace Operate Ltd was the successful bidder for both the Hard and Soft FM contracts. The Contract Award letters were issued on Tue 08 Aug 2023, which started informal mobilisation activities. The Authority will lead the consultation for those SCC staff that will TUPE transfer to the new supplier, ensuring that the process is handled in line with the Regulations, but moreover ensuring that the staff are fully supported through this transition. Service delivery will commence from mid-November.

Benefits of the new FM operating model:

1. Significantly improving the **Customer Experience** for Service Users. Re-specified, integrated FM services supported by a **market-leading Helpdesk** and customer-centric approach. Service Users will see enhanced services through the Helpdesk, better reporting, and the ability to raise jobs via a mobile phone App.
2. A contract mechanism that drives **continual improvement and innovation**, by resetting and enhancing the annual KPI targets each year, based on the strategic outcomes on which the Authority wants to focus (e.g., cost, the next level of Climate Change Net Zero targets, sustainability, customer experience). This will ensure that each contract keeps pace with the ambitions of the Authority, potentially over the next ten years.
3. Supplier-fed '**insight**' that enables the Authority to take far better-informed strategic decisions, through its new strategic commissioning-based team.
4. A **volume-flexible** and **scalable** solution.
5. Significant **Revenue** (c.£7m) and **Capital efficiencies** over five years, through a contracting model that incentivises them to drive down underlying costs for the benefit of the Authority.
6. **Climate Change** is put at the heart of FM and the Minor Capital Works programme.
7. Services meet the far-reaching **sustainability** objectives of the Authority.
8. Commitment to generate **Social Value** (see below).

In addition, the suppliers will invest £7m (Hard FM) and £3.7m (Soft FM) in Social Value, over the 5yr and 3yr contract terms respectively. The Authority has, for the first time, established a new 'club' of training organisations that will assist the suppliers bringing Surrey residents into its workforce (e.g. refugees, people with learning needs or disabilities, and other vulnerable groups) and either provide work experience or upskill the workforce through training and development, ensuring that these contracts address the Authority's 'No One Left Behind' ambitions.

Capital Projects:

- **Corporate Parenting:** Children's homes at Epsom and Walton have been completed. The new Shaw Family Contact Centre in Woking has been completed and handed over to operations. A property search is underway for 6 new properties which can be refurbished to provide 24 places for Care Leavers accommodation. Development of a new children's home in Dorking has been granted planning permission, work on site commences September.
- **SBN:** Oakwood Secondary School in Horley, we have delivered 8 permanent classes providing 150 new places. St Andrews in Leatherhead, secondary expansion with 300 new places delivered.
- **SEND:** The SEND programme has delivered 430 places in 2021 and 225 places in 2022. Project delivery in 2023 provides 234 additional specialist school places for local children with additional needs and disabilities. Projects to be handed over to schools/ providers this summer:
 - Portesbery School Part 1 extension for pupils with severe learning difficulties
 - Philip Southcote School's Post 16 extension external works for pupils with moderate learning difficulties and complex co-occurring needs
 - Meadhurst Primary School Primary age SEN Unit extension for autistic pupils
 - Brooklands College Post 16 SEN Unit for autistic pupils
- **SFRS Fire House & Training Facility Wray Park:** Public engagement events held with positive feedback received.
- **ASC:** Short breaks at Lakers (Woking) providing 8 beds for respite stays has received planning permission.

Waste:

- **Variation to the SUEZ Contract:** This is due to be signed week commencing 10 September and will formally end the contract dispute with SUEZ and establish certainty for the council by extending the current contract with SUEZ for up to 5 years beyond its current expiry in September 2024
- **Waste Infrastructure Grant:** Cabinet will receive an update on the Waste Infrastructure Grant at their meeting on 26 September 2023.
- **Charges for Construction waste:** Following a Cabinet Member decision on 29 August, residents will be able to dispose of small amounts of construction waste from DIY activities at community recycling centres, free of charge from 1 September 2023 in line with Government requirements.
- **Revive Community Fund:** This fund makes available a proportion of the profits from the Revive Reuse shops at the community recycling centres for environmental and community-based projects. A total of 75 applications for funding were received and the successful applicants were:
 - *Lucy Rayner Foundation* - £2.5K towards a centre for mental health support for Surrey families.
 - *Waverley Hoppa* - £2K towards converting their fleet from diesel to electric.
 - *Mayford Village Hall* - £5K towards making community space available to wheelchair users.
 - *Holme Farm* - £1.12K towards an accessible community workshop and garden.
- **Reuse initiatives:** SUEZ has donated walking aids collected at our community recycling centres (CRCs) to Ukrainian based organisations for use in medical rehabilitation. They have also donated water-based paint collected at our CRCs to the probation service for use in community projects.
- **Defibrillators:** SUEZ has installed defibrillators at all our community recycling centres.
- **Waste Infrastructure projects:** Following Cabinet's agreement of the Surrey Waste Infrastructure Strategy in April 2023, work continues to progress several waste infrastructure projects including new waste transfer stations and a Surrey Materials Recycling Facility.
- **Residual Waste Disposal Procurement:** Invitations to submit final tenders were sent out to prospective suppliers on 25 September with a return date of 6 October 2023.

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