

SURREY COUNTY COUNCIL

CABINET

DATE: 30 OCTOBER 2018



REPORT OF: MR COLIN KEMP, CABINET MEMBER FOR HIGHWAYS

LEAD OFFICER: TRACIE EVANS – EXECUTIVE DIRECTOR ECONOMY, GROWTH AND COMMERCIAL

SUBJECT: SURREY ASSET AND PLACE STRATEGY

SUMMARY OF ISSUE:

Despite the financial challenges that we face, the County Council and its Districts and Boroughs are uniquely placed to use its significant resources and assets to influence growth in Surrey making it an even better place than it is already.

This report seeks approval to develop a Surrey Asset and Place Strategy with a delivery plan to 2030 which will be developed in line with District and Borough Local Plans, LEP Plans and Health Plans. The Strategy report will be presented to Cabinet in April 2019 and will outline the delivery plan which will be subject to significant scheme design and financial modelling:

For the Council:

- A re-modelled operational estate that will see **four or five larger town hubs and circa 20 smaller satellite hubs** with at least one satellite hub in each of the Districts and Boroughs **by 2025**.
- The Council already has an investment portfolio that is on course to deliver a target of £10m income by 2020. We believe that schemes can deliver an additional **£25m per year net income by 2030**.

For Surrey to be aligned to Borough and District Local Plans and LEP plans:

- **200 additional business spaces** in bespoke buildings. That is 50 units every 3 years to 2030.
- **4,000 units of housing**, especially truly affordable housing including keyworker and extra care homes by 2030.
- **400 new jobs** especially making full use of Apprenticeship Levies and supporting businesses to grow by 2030.
- **A Digital Skills Academy** in partnership with a Surrey University with a specific aim to reach young people who have difficulty in school settings by 2022.

Engagement and transparency throughout the development of the strategy is important. In order to provide technical challenge and insight, we are proposing that an Advisory Panel be set up to support and advise Cabinet on the direction of the strategy and the development of schemes. It is proposed that the Councils Asset Strategy Board which is chaired by the Leader, acts as the steering group for this work.

The work to develop a delivery plan by April 2019 is highly complex and needs significant technical design and appraisal on each scheme to develop a financial and delivery model. The report seeks approval for a budget to ensure this technical work is adequately funded.

We are expecting to be highly ambitious in delivering this strategy, however it is important to note that we will not delay the delivery of schemes whilst developing the strategy. This includes the work being done by SHAPE Board and Surrey Futures. In fact, this work is likely to identify future work streams for these groups. Where appropriate and where there is an obvious benefit, we will continue to deliver schemes whilst the strategy is being developed.

This report is brought alongside the report on this agenda proposing the Council's Organisation Strategy, Preliminary Financial Strategy, People Strategy and Transformation Programme (i.e. the council's new integrated strategic and financial framework). The development of the Asset and Place Strategy forms part of the Council's Transformation agenda, to deliver the new Community Vision for Surrey in 2030.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Agree to the development of a long term Asset and Place Strategy and Delivery Plan to 2030, in line with District and Borough Local Plans, which will deliver a re-modelled operational estate and long term income for the Council and to use released assets to support growth in Surrey.
2. Agree that this work is led by the Council's Asset Strategy Board.
3. Agree the appointment of an Advisory Panel to support the Asset Strategy Board in its work composed of two Councillors and up to three outside advisers including the Chairman.
4. Authorise the Executive Director of Economy, Growth and Commercial (in consultation with the Leader) to appoint up to two further external advisers, and to agree the Advisory Panel's terms of reference and work programme.
5. Agree to provide support to the Programme which consists of:
 - a programme team to co-ordinate the strategy and delivery plan work and organise space planning workshops with partners.
 - high level design and feasibility studies for each scheme (at least 20)
 - social-economic-techno analysis (in support of the work already completed by Surrey Futures).
 - commercial financial modelling expertise to develop funding strategies for each scheme and validate future income streams.
 - legal support to advise on delivery models.
6. Approve a programme budget of up to £500,000 to enable the development of the strategy and the financial validation noting that this will be approved by full Council as transformation expenditure to be funded from capital receipts flexibility. This figure includes a previous decision by Council to allocate £275k.

REASON FOR RECOMMENDATIONS:

This hugely ambitious plan for change needs extensive technical support and engagement with partners to develop a strategy and plan that is deliverable and has the support of partners. The technical work needs to be completed before we are able to have confidence that the outcomes in the strategy are deliverable.

This report seeks to secure an approval from Cabinet to draw down resources to help deliver complex technical modelling, feasibility and design studies, legal and programme support.

DETAILS:

Surrey – the economic case

1. Surrey is a fantastic place to live and work. It is one of the most vibrant counties, with the highest number of large businesses and with residents that earn the highest average income per person in the country. At just over £40 billion, Surrey's economy is the largest in the South East. However, the rate of growth is slowing and businesses and residents have identified a number of challenges to supporting the economy. Surrey has some of the busiest roads in the UK. These are the transport arteries for significant amounts of goods travelling through the South, either to the ports on the south coast or to Gatwick and Heathrow airports which flank either end of the County. There is a need for more housing, both market and affordable, and there are particular challenges in providing for the increasingly numbers of elderly, with a need for extra care type accommodation. Surrey authorities currently project a need for 3,137 homes per year but at present anticipate delivering only 50% to 70% of that number.
2. House prices in the county are the highest in the country and there is not enough truly affordable housing available for key workers and young people. This means that organisations find it hard to attract staff across the full range of salaries and skills. Our businesses and residents need access to high end digital infrastructure to encourage new, high tech skills and business start-ups. This will also help to keep cars off the road as people use trustworthy digital conferencing facilities rather than travelling to meetings. The economic growth of Surrey, which contributes the highest amount to UK PLC than anywhere else is slowing and, in order to keep our place as the highest contributor to the UK economy, it is vital that we use our influence and resources to give our local economy a boost.
3. Additionally, the financial challenges for all local authorities over the last ten years have been well rehearsed. Surrey County Council is no different and even though it has made significant progress over the years in balancing the books, more still needs to be done to close the funding gap. Like many other councils across the country, Surrey County Council is transforming the way that it delivers its services. This is partly to meet the funding gap that faces all local government authorities and partly because there are different and new ways to meet the needs of our residents using the latest the latest methodologies and technology.
4. In spite of these difficult financial challenges, the County Council is ambitious about making Surrey even better.

The County Council's assets

5. The Council owns approximately 5, 818 registered assets both inside and outside Surrey. These cover a wide range of property types from farms and country parks through to the operational buildings such as schools, offices and fire stations.
6. The assets fall into three categories:
 - Operational assets
 - Non- operational assets
 - Investment assets
7. In total, the value of these in the Council's accounts amounts to c.£1.5 billion and given the Council's ambitions and the financial challenges it faces, it is timely to review the contribution that these assets can make both to the transformation of Surrey County Council services and to the development of Surrey's wider economy. This will build on the Council's existing Investment Strategy and provide a wider approach to the development and utilisation of the Council's assets, enabling the development of housing and employment space and a contribution to the wider Surrey economy.

Transformation and re-modelling the Council's buildings

8. The County Council is undergoing major transformation of the way it works and the way in which it delivers services to residents. Future services will be more about supporting people to make changes in their lives that will make them happier and healthier in their homes and communities and less about the buildings our staff are in. These programmes of service change are wide ranging and can be seen in more detail in the Organisation Strategy, Preliminary Financial Strategy, People Strategy and Transformation Programme.
9. It is clear that from the service perspective, the buildings we operate from are not modern and do not reflect the way in which the design of future services will develop. It is our intention that the Asset and Place Strategy proposed in this report will align all asset requirements to the new service models outlined in the transformation business cases. The Council has ambitious plans to re-model the buildings it uses so that they better support modern ways of working and are more accessible to residents. By doing so in collaboration with Districts, Boroughs, Health and other partners, we will be able to ensure that if residents do need to come to see us, they do not need to see us in a number of separate places. Our ambitions are to have smaller buildings nearer to the areas where our residents live. This re-modelling work will in effect reduce the number of buildings we use releasing land and buildings that can be re-used to build out much needed affordable housing and start up business units.
10. This report seeks approval to develop a Surrey County Council Asset and Place Strategy over the next six months which look to design a modern operational estate for use by services and, using the land released from this re-modelling work, we will seek to develop schemes that support the Surrey growth ambitions. The Strategy will look to deliver its whole plan by 2030 but will seek annual targets based on likely scheme delivery.

11. The development of the strategy is complicated and includes significant scheme design and financial appraisals in order to be specific about what is affordable and deliverable however our high level ambitions for the Asset and Place Strategy are:-

For the Council

- To re-model the Councils operational estate into around **four or five larger town hubs and circa 20 smaller satellite hubs** with at least one satellite hub in each of the Districts and Boroughs **by 2025**.
- The Council already has an investment portfolio that is on course to deliver a target of £10m income by 2020. We believe, subject to financial modelling over the next six months, that schemes can deliver an additional **£25m per year net income by 2030**.

For Surrey and in line with Borough and District Local Plans and LEP plans

- **200 additional business spaces** in bespoke buildings. That's 50 units every 3 years to 2030.
- **4,000 units of housing**, especially truly affordable housing including keyworker and extra care homes by 2030.
- **400 new jobs** especially making full use of Apprenticeship Levies and supporting businesses to grow by 2030.
- **A Digital Skills Academy** in partnership with Surrey University with a specific aim to reach young people who have difficulty in school settings by 2022.

The development of the strategy

12. It is vitally important that the development of the strategy is evidence based and that we engage our partners and residents in developing these plans in an open and collaborative way.

Governance

13. We are proposing that the Council's Asset Strategy Board, chaired by the Leader of the Council, will act as the body of members and officers who will be responsible for the direction of the strategy and agreeing the scheme proposals. We are also proposing to set up an Advisory Panel which will act as expert advisors to the Asset Strategy Board. This panel will be chaired by Robert Napier who has been the County's High Sherriff and Chair of the Homes and Communities Agency, as it then was, and has enormous experience and expertise in this area, and will have as members of the panel two councillors and up to two external experts. The Asset Strategy Board and the Advisory Panel will be supported by a Programme Team led by the Executive Director of Economy, Growth and Commercial along with financial modelling and property experts.

Evidence gathering

14. An early indicative draft of the key elements of the proposed Asset and Place Strategy is attached as Appendix 1.

15. It is important to note that the strategy must contribute to and be aligned with the emerging 'new Community Vision for Surrey in 2030', while also taking into account the Local Plans and ambitions of the Districts and Boroughs and other bodies such as the LEPs and Health STPs.
16. The Advisory Panel will:
- Understand policy and priority context
 - Identify opportunities for scheme development
 - Establish the future property requirements in particular examining the future of County Hall and other service locations.
 - Identify and examine opportunities for housing and employment and consider an approach to developing associated infrastructure.
 - Set out how this should be delivered in terms of delivery vehicles, resources and governance.
 - Create a practical and effective delivery plan that can be swiftly implemented.
17. Existing projects and key developments will not be stalled during this process. Indeed, part of the benefits of this approach is to link existing tactical projects to the strategic context. This includes the work of SHAPE and Surrey Futures which this work is intended to complement not replace.

Timeline

Date	Tasks
October 2018	Baseline Data review Current opportunities Understand Partner Objectives
November 2018	Partner workshops to establish priorities Socio economic impact assessment and evidence base
December 2018	Emerging target operating model and service delivery consideration Modern Council estate options including County Hall Initial option appraisal analysis and financial outputs
January 2018	Early draft strategy for sharing with stakeholders Delivery mechanisms review
February 2019	Stakeholder feedback Strategy draft and options analysis in detail High level delivery plan
March 2019	Consider updated draft strategy and detailed delivery plan
April 2019	Cabinet decision at April meeting

Funding

18. In recognition of the size and complexity of this enormous programme which is likely to deliver at least twenty large and different schemes across the whole of Surrey, this paper asks Cabinet to approve and recommend to Council that capital receipts flexibility is used to fund transformation expenditure of £500k,

This funding is required in order to provide programme support, high level design and feasibility studies for each scheme, socio-techno analysis, financial modelling and legal support. This work will lead to a delivery plan showing which sites will be delivered, when they will be delivered and the outcomes in terms of housing, employment space, regeneration and social benefits and income. This figure includes the interim programme resources of £275k previously agreed by Council.

CONSULTATION:

19. Early discussions have taken place with District and Borough Councils and other partners and they have given indications of support for this approach. This is important as successful delivery can only be achieved by policy alignment with them, and by working together in partnership to deliver all of our ambitions.
20. During October, November and early December 2018 a series of workshops will be held with partners to understand partner priorities and to find ways of achieving mutual benefit. The outcomes of these workshops will be fed into the strategy and delivery plan, with further feedback from partners on the draft strategy. Some of the scheme design work on some of the buildings has been completed as part of previous pieces of work by the Surrey authorities and it is our intention to bring everything together in one strategy. There will need to be a number of different delivery mechanisms to ensure that the scale of the plans are implemented at pace.
21. As the process develops, further consultation requirements for partners and residents will no doubt be identified and these will be programmed and put in hand as appropriate, either during the development of the strategy or as part of the proposed delivery plan.
22. Other partners will also be consulted including the Local Enterprise Partners and Health Colleagues, and we will use current mechanisms such as SHAPE and Surrey Futures for the purpose of developing ideas and formulating project delivery.
23. As part of the Transformation Programme and the response to budgetary pressures services are already following statutory consultation processes where required as part of changes to services. Legal advice will be sought to establish the Council's overall consultation requirements as a result of major changes that may be proposed to the Council's estate.
24. Depending on the options available, statutory housing consultations may be necessary in partnership with District and Borough Councils.

RISK MANAGEMENT AND IMPLICATIONS:

25. Risk issues for consideration arising from this report are as follows:
 - The timescales for development of this strategy are short in order to take advantage of potential opportunities at the earliest time. Delay to the development of the strategy or to decision making will hinder this and delay delivery of outcomes including establishing an income stream.

- Consideration of alternatives suggests that this approach or a variant of it is a critical component of the transformation strategy. Failure to establish a clear and measurable strategy will lead to an ad hoc approach to the use of the Council's assets and a resulting failure to achieve the preferred outcomes.
- Members will have the benefit of objective advice in formulating the policy and approach both from the Advisory Panel and from retained property advisers.

Financial and Value for Money Implications

26. The provision of temporary interim programme resources to do the necessary work to establish this strategy has already been approved by Council, and this is estimated at a maximum cost of £275,000.
27. In addition, there is a need for commercial financial modelling, scheme design and options appraisal for the Council's property portfolio as a whole and for specific sites and opportunities. This will include development appraisals together with analysis of the most financially beneficial options for delivering the Council's objectives. There will be a specific need to model the options for the relocation of County Hall and the emerging service delivery hubs, and value sites available as a result. This work will be completed by April 2019, and will specifically contribute to the delivery of the targeted £25 million income to be derived from this strategy. The work is estimated to cost £125,000.
28. At the same time, it is important that the economic aspects and the social benefits of this programme of work are clearly understood, particularly with regard to the possible relocation of County Hall and assessing the benefits of possible new locations. This work will appraise the benefits of this strategy to our residents and how significantly it can contribute to meeting the Council's objectives. It is estimated to cost £85,000 and will also be completed by April 2019.
29. These advisers will be procured following the Council's procurement rules and standing orders.
30. As detailed elsewhere in this report the Council is appointing an Advisory Panel to assist with the development of this strategy providing challenge and high quality insight. Expenses and modest payment for time spent on the project will be required for the members of this Panel, and this is estimated to cost a maximum of £15,000.
31. The expenditure detailed above will help unlock both the savings expected from an improved operational estate, and the income from potential developments involving housing or economic uses of the Councils land. The benefits from this may well begin to accrue from 2020/2021.

Section 151 Officer Commentary

32. The Section 151 Officer notes that the expenditure proposed is to be funded by making use of capital receipts flexibility and as such, will require the approval of Council at its meeting in November alongside other transformation business cases.
33. Proposals identified and developed by the Asset Strategy Board will require approval by Cabinet on the basis of a robust business case and any borrowing

required would need to be made in accordance with the conditions of the Prudential code, which includes the Council approving any changes required to the prudential indicators. The Code required borrowing to be affordable, sustainable and provide value for money. The return or savings delivered by capital investment would therefore need to be in excess of the capital financing costs of the borrowing.

Legal Implications – Monitoring Officer

34. The report sets out how the Council intends to develop a long term strategy for the Council's land and buildings that will support its transformation programme. Appropriate governance arrangements will be put in place to oversee the work and report back to Cabinet in April 2019. Consultation with residents and stakeholders will be undertaken where required, together with equality impact assessments, so that members can take the responses and feedback from these exercise into account in their decision making.

Equalities and Diversity

35. The Strategy and the process for its development will reflect the Council's Community Vision for Surrey to ensure everyone has the same opportunities including access to services.
36. Equalities issues, particularly in relation to any disabilities, will be given consideration in all relevant aspects of the strategy and its' proposed delivery plan.
37. Equalities Impact Assessments will be carried out wherever necessary and the report to Cabinet in April 2019 will have such an assessment attached.
38. Statutory consultations are due to commence in a number of areas such as libraries, SEND, Children and Families, and Community Recycling Centres. The outcome of these will have equalities implications and will affect the consultation requirements for operational buildings and schemes.
39. There are no further impacts arising from this report at this stage, but this will be subject to ongoing monitoring and review.

Other Implications:

40. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report. However if the future strategy involves relocation of services then normal consultation will apply.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report. However if the future strategy involves relocation of services then normal consultation will apply.
Environmental sustainability	It is intended that the strategy recommendations will take into account

	environment and sustainability and aim to provide environmental benefits.e.g. improved air quality
Public Health	It is intended that the Strategy recommendations will take into account the Sustainable Transformation Partnerships and other health organisations already operating in Surrey.

WHAT HAPPENS NEXT:

41. Subject to Cabinet approval the process of developing the Place Strategy will commence under the guidance of the Asset Strategy Board.
42. The Advisory Panel will be appointed and will commence work.
43. Partner workshops will commence to understand partner priorities and areas of mutual benefit
44. A final report to Cabinet setting out the draft strategy will be brought to the April 2019 Cabinet meeting.

Contact Officer: Julian Wain, Programme Director

Annexes:

Annex 1 Draft Strategy Headings

Sources/background papers:

None