

SURPLUS ASSETS AND DISPOSALS WORKSTREAM

The purpose of this report is to outline the process and progress to date of the Surplus Assets and Disposals workstream as well as providing information on how the workstream generates and takes forward housing development opportunities.

Core Processes and Principles

1. Surrey County Council's (SCC) property estate/asset register has a balance sheet value of £1.8bn+. Each "non-highway" asset is classified for capital accounting purposes under one of the CIPFA categories:
 - Property Plant and Equipment (school or non-school)
 - Investment, Asset held for sale
 - Surplus Asset
2. The Council's "Asset and Place Strategy 2019 – 2030" (A&P Strategy) breaks down the asset register to approximately 400 schools, 300 operational Service assets and approximately 1200 non-Service/non-operational assets. Rationalisation of both operational and non-operational assets remains a core objective of the A&P Strategy.
3. At individual asset level, opportunities which support Service transformation programmes, changing Service demands for operational service uses, and investment opportunities or collaborative activities will be pursued. Against this background, assets are often identified as either becoming fully surplus, or to be vacated by the Service pending further decisions.
4. Once an asset has been identified as being no longer needed by a Service, option appraisals and opportunities are considered and taken forward through governance or Member-led decisions.
5. If an asset is not recycled, or the property is not fit for purpose, nor required by a public sector partner, it can be formally declared surplus to all operational use.
6. The principles underlying this process suggest that the Council should only retain an asset if:

- a) It is required for identified Service use.
 - b) It is identified as having/could have development potential within the Local plan, or within a realistic timescale (deliverability).
 - c) It can be re-let/intensified for revenue generation.
 - d) The Council wishes to develop the site itself or through a partnering arrangement.
 - e) It has strategic value (i.e., land to support future expansion of adjacent operational or investment assets).
 - f) Sites unlock a future development (within a specific timescale).
7. The Director of Land and Property is the Delegated Authority to secure best value for assets which are formally declared as being surplus to operational need. Best value for assets may be a transfer to Halsey Garton Residential Ltd, or a disposal which could be a community asset transfer, or a collaborative project with a District and Borough Council. The notification of a surplus declaration would be published in the public domain on the Surrey County Council Forward Plan, which the Divisional Members have access to.
 8. Retaining unused assets carries risks and liabilities for Surrey County Council. Any associated costs for retained unused assets, such as for maintenance and security, are currently borne by the Land and Property department, rather than the Service.
 9. The current recorded workflow/process which underpins key stages of activity is set out in Annex 1.
 10. Reviewing and challenging the Council's sites and assets is a continuous process, set against corporate priorities which themselves can change over time. It is important for the Council to establish the likely benefits and track the outcomes it expects to deliver from any surplus asset review or investment process. Where the outcomes sought have a higher level of social value benefit over and above a targeted financial return, it provides the opportunity to identify assets for a Community Asset Transfer or to support the Green Agenda.

<p>Current and Recent Progress</p>

11. The A&P Strategy identified approximately 1200 "non-operational" (non-Service) assets and recent work has already broken down this list into a number of specific portfolios. To date, over 550 of the 1200 assets are identified as ad-hoc parcels of (largely) highways land. Management of these assets is being returned to the Highways Service and they will be re-classified as highway assets. In addition, just over 100 assets, identified as Countryside, will be transferred to the Natural Capital team to manage. Both sets of assets offer the Highways and Countryside Services opportunities to support their own and wider strategies (for example, for tree planting, solar farm opportunities, electric vehicle options).

12. A significant number of small assets are identified as Garden Licences (with private owners). Over 350 parcels/assets have been identified which could be offered back to community owners; this would present logistical challenges.
13. Within the core list there are approximately 75 “vacant and surplus” assets which continue to form the primary workload across our disposals work (37 assets) ranging from small land parcels to vacant built assets, investment for housing activities (20+ assets) identified for Halsey Garton Residential Ltd, and assets forming longer term strategic holds (where we can add value to support a regeneration project or long-term planning promotion activity).
14. From the wider analysis, a further 90 small parcels/assets have been identified for further assessment. These assets are in addition to the sites outlined in paragraph 12.
15. The capital receipts forecast has just been raised to almost £75m for the period through to 2025/26, although 90% of that figure is still currently based on just four assets, Pixham Lane, Coxbridge Farm, Wray Park Reigate, Consort House Redhill (refer to the Part 2 annex). Forecasts can only take into account assets where Heads of Terms have been agreed or where work is sufficiently advanced to support a robust forecast. A number of land assets are still subject to Service use decisions and may not come forward as a potential receipt.
16. There is a significant number of smaller parcels where pre-marketing and legal due diligence activity is in hand, or where we have already been approached by a resident making enquiries to purchase. Many of these smaller parcels, and requests often form part of larger land holdings where the current legal title would need to be divided up, and new rights and obligations set up. The latter is a resource intensive process.

Housing

17. When an asset is formally “declared surplus to operational use”, officers are required to complete an Options Appraisal to establish the right economic outcome for the SCC, to determine the following:
 - i. Whether to assess an asset for immediate disposal on the open market.
 - ii. Whether to obtain planning (to de-risk and add value) and then dispose the asset.
 - iii. Whether to hold the site and redevelop it for longer term revenue opportunities, such as for “Build to Rent” for Halsey Garton Residential Ltd.
18. Currently, officers are working on Phase 1 of four identified sites for 53 new homes across Surrey as Build to Rent units. A report seeking approval for a procurement tender process has been submitted to Cabinet (November 2021).

The Shareholder Investment Panel and Strategic Investment Board have both previously endorsed the report's outline business case.

19. The Phase 1 sites are:

- (1) Former Offices, 1st floor above commercial, 61 High Street, Staines TW18 4QW
- (2) Former Offices, 1st floor above Iceland, 160/162 High Street, Egham TW20 9HP
- (3) 33 Rookery Road, Staines, TW18 1BT
- (4) Former Bookham Youth & Community Centre, 164 Lower Road, Great Bookham, Leatherhead KT23 4AQ

20. An outline business case is currently being produced for Phase 2 of this programme, which is for a further 19 sites. The outline business case will be seeking authority and approval for funding to appoint an external professional design team and the route to market to build out each identified site (upon gaining relevant planning approvals). It is expected that the outline business case will be presented to the Strategic Investment Board by the end of Q4 FY 2021/22. The Phase 2 sites are commercially sensitive at this time and will be made available to the Resources and Performance Select Committee at a later date.

Conclusions:

- 20. Significant progress has been made to review the 1200 non-operational non-service assets and to implement a clear plan of how to manage each type of asset and a clear plan of how to deal with each type of asset in place, whilst simultaneously dealing with a significant workload emerging from the enhanced capital receipts programme.
- 21. Against the detail noted in this report, work is in progress to identify new Key Performance Indicators to ensure rationalisation of the non-core estate continues.

Recommendations:

The Select Committee is asked to:

- 22. Note the contents of this report.
- 23. Comment on the detail.

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Annexes

Annex 1: Asset Process Flowchart

Part 2 annex: Four assets

Sources/background papers

Surrey County Council Asset and Place Strategy 2019 – 2030

Land and Property data

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