

**WINCHESTER CITY COUNCIL**  
**ASSET MANAGEMENT STRATEGY**  
**2022 TO 2027**

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## **1. Introduction**

The Council's non-housing property assets play a significant role in generating rental income and creating opportunity for social, economic, environmental and regeneration interventions.

The quality and diversity of the Council's land and property assets has been a factor of civic legacy and public service provision. This means that the Estates portfolio comprises a long list of assets including 168 land parcels ranging from grass verges to agricultural fields and parks, ancient monuments, sports and leisure facilities, public conveniences, sewage treatment works, civic offices, car parks, bridges and tunnels, and investment properties including office, retail and industrial buildings. The majority of commercial and leisure buildings are located within Winchester City. See table below for analysis by sector.

The council's 'investment property' portfolio generated a gross annual rental income of just under £3.9m in 2021/22 and was valued at £69.8m as at 31 March 2022. This represents a net yield of approximately 4.2%.

The council's 'other land and buildings' were valued at £99m as at 31 March 2022. These 'other land and buildings' include the council's operational buildings such as City Offices and the Guildhall, a car park portfolio of 94 car parks as well as a number of assets held for regeneration purposes, such as those in the Central Winchester area, which also deliver income to the council.

The Council has an ambitious development programme for the district including City Centre regeneration and the provision of 100 district-wide new affordable homes each year. This development programme relies upon the Council's land and property assets and the asset management strategies adopted, to deliver physical development, but also to bring social, economic and environmental change.

Combined annual income of over £10 million each year, derived from investment assets and car parks, means that funds have been available for resourcing development programmes whilst keeping Council Tax increases to a minimum. Protecting this revenue will however, become more critical to preserving Council services, at a time when the UK enters a period of further and deeper economic uncertainty.

The purpose of this Asset Management Strategy is to identify strategic objectives that the Estate needs to address, to make sure that Council land and buildings fully support overarching corporate plan policy and direction. Significant priority is for example being given to decarbonising the Council's corporate occupied, community asset and investment properties.

This Strategy document identifies key objectives, challenges and solutions to support the Council's vision and success over the next five years. This is a critical period

within which the economic, social and physical fabric of the district are to be key areas of focus for improvement and positive change.

The Asset Management Strategy is relevant to all Council decision making where land and property assets are involved, including movement strategies and regeneration. The only exception is the Housing portfolio that is subject to its own Asset Management Plan.

## **Non-Housing Land and Property Assets Summary**

### **Key Assets Include:**

- Central Winchester Regeneration land and property
- Station Approach Car Parks
- The Brooks Shopping Centre
- The Guildhall
- Bar End Depot
- The Goods Shed, Barfield Close
- New St Clements Surgery at Upper Brook Street
- 49/50 High Street (The Old Guild Hall) – Lloyds Bank
- Avalon House, 13/15 Chesil Street
- 75 Hyde Street
- 1, 2 & 4 The Square
- Abbey Mill, Colebrook Street
- City Offices
- River Park Leisure Centre
- Winchester Sport & Leisure Park

**Asset Types:** The WCC property Management system (Uniform) has 745 Property Assets categorised as follows:

### **Allotments (7)**

**Bridges & Tunnels (28)**, the most notable of which are the North and South Chesil Railway tunnels and sections of the Hockley Viaduct. The remaining 25 are all footbridges a good example of which is 'The Soke' which crosses Chesil Street just before the entrance to the Chesil Street MSCP

**Car Parks (97)**, this category includes Multi-Storey Car Parks (MSCP) such as the Chesil MSCP and the newly completed Barfield Park and Ride MSCP, others are The Brooks and Friarsgate MSCP. There are also surface car parks such as Colebrook Street, the park and ride sites at Otterbourne Road & Barfield Close, City centre sites such as Middle Brook street and a large number of small and single spaces throughout the district.

**Community (38)**, as well as the community centres at Weeke, Winnall, Sommers Close, Meadowside and Fraser Road this category includes various Scout huts, Museums and The Guildhall.

**Individual Garages (11)**, these are mostly individual garages around the district.

**Garage Blocks** now in the General Fund but managed by the HRA

**Garden Land/Access (94)**, all very small pieces of land generally allowing access across WCC owned parcels to individual gardens, gates & footpaths.

**Ground Rented sites including Commercial, Industrial and Residential sites (42)**, generally long leasehold sites including The Brooks Shopping Centre, industrial units on Barfield Close, Prospect Road Alresford and at Winnall Valley Road.

**Industrial Warehouses subject to direct lettings on occupational leases (20)**, includes the recently completed units at Bishops Waltham, Matleys Yard and the Biffa Depot at Barfield Close.

**Memorials and Monuments (13)**, the most notable of which are King Alfred and The Buttercross.

**Miscellaneous sites (9)**, a small group of assets that do not fit into any of the above including 'rights of Light' and the Winnall Moors Leisure reserve.

**Nitrate Mitigation Land (2)**, two small land parcels at Rook Lane, Micheldever

**Offices (40)**, numerous office properties around the district including those owned and occupied by WCC

**Land Parcels (168)**, numerous land parcels including the agricultural land at Littleton. Many of these are public open spaces.

**Public convenience (14)**

**Residential (32)**, generally properties leased out to housing associations

**Retail (87)**, numerous retail premises including high street properties, Middle Brook Street and shopping precincts in Garbett Road and Wavell Way.

**Sports and Leisure (15)**, sports facilities around the district.

**Storage Units (3)**, including unit F2 at Bar End, land behind 153 High Street and the Abbey Gardens Gardiners store.

**Sewage Treatment Works (23)**, including small installations for single dwellings.

## **2. Vision for the Portfolio**

A commercially focused and managed Estate that promotes the financial, social, cultural, economic and environmental interests of the District's residents, businesses and visitors.

An Estate that promotes health and wellbeing, environmental sustainability, new homes, regeneration and sympathetic development.

A financially resilient portfolio where income generation is recognised as a key element of the Council's Medium Term Financial Strategy (MTFS).

Use of the Council's land and property assets to help realise the City Council's Corporate Strategy and in regeneration terms to 'move forward in a timeless City'.

The top three priorities for this Plan period are:

- (i) Achieving net carbon zero across the Estate portfolio.
- (ii) Utilising land and building assets to facilitate regeneration, development and the support of community and voluntary sectors
- (iii) Protecting and growing property income

### **3. Meeting Council Plan Objectives**

#### **1: Addressing the climate emergency**

Carbon reduction remains a central theme when building, refurbishing and maintaining Council property. Where possible (such as at Winchester Leisure Park, City Offices, Barfield Close Multi story car park), solar panels, energy efficient boilers and enhanced building insulation are included in technical specifications. We also aim to incorporate sustainable travel plans and increased bio-diversity into new developments. The Council's target is to operate a Net Zero Carbon Estate by 2024.

We are encouraging renewable energy generation and the Council supports start-ups and businesses in green energy and green technology.

Carbon reduction and energy saving across the Council's property portfolio is a key focus and work has started on corporate occupied buildings to measure, monitor and mitigate energy use. This will be followed by investigations into the extent of viable carbon reduction and energy saving measures on community assets (such as pavilions and public conveniences) and investment properties. KPI's will include progress on reducing carbon and energy consumption across the portfolio.

Please see Section 9 for more details on the Estate Carbon Reduction Strategy identified as a key area of focus and designed to meet the Council's 'Greener Faster' agenda.

#### **2: Homes for All**

We are building significantly more affordable homes ourselves to ensure the right mix of homes are built for all sectors of our society, including young people. Using a new Winchester City Council owned Housing Company we will be able to deliver a wide range of housing tenures to meet local needs. We have also developed new homes technical specifications meaning that the energy efficiency of new homes is moving towards zero carbon. The Housing Asset Management Plan

tackles the Council's approach to retrofitting the existing stock of homes to improve energy performance.

### **3: Creating a vibrant local economy**

Using land and property assets to position Winchester district as a recognised centre for digital, creative and knowledge intensive networks through regeneration and development.

Supporting a 'green recovery' post COVID-19 and providing tailored, sector specific business support

Where feasible, to support business tenants in meeting the challenge of carbon neutrality and encouraging 'green growth'

Prioritising the needs of younger people in the redevelopment of central Winchester.

Working in partnership to strengthen the appeal of the Winchester district by promoting and developing our unique cultural, heritage and natural environment assets

Deploying land and property assets in a way that promotes social and economic value as well as financial value. Social value may for example include subsidised lettings of community or office accommodation to community groups or third sector organisations.

### **4: Living Well**

The Council supports the deployment of Council assets to enhance community infrastructure and social wellbeing. Examples include developments such as the new King George V pavilion, a new St Clements Medical Centre and the Winchester Sports and Leisure Park.

Council assets are often used by qualifying community groups and the voluntary sector, to whom grants are available as additional and transparent support.

Open space and landscaping are important contributors to local amenity and place making. Ownership of land enables the Council to intervene for the benefit of local and wider communities.

**5: Your Council, Your Voice. Engaging with our Communities.** Where redevelopment and regeneration is concerned on the Estate, the Council engage with local communities to encourage feedback on marketing and development proposals. Extensive consultation and Engagement has taken place for example in formulating the Central Winchester Regeneration SPD; at Bar End where a Community Plan and Design Framework were adopted for the benefit of the Local Community; and at Station Approach where recent early engagement has been sought to help inform how the Station area is to be improved in the future.

Our policy, and part of the delivery of the localism agenda, is that wherever practical, buildings or land used to support community uses are transferred to the local Community, Parish or Town Council to enable local control and determination.

Local communities are often best placed to manage community facilities in their area. They already make extensive use of these assets and their local knowledge and hands-on management often results in lower overheads and better value-for-money. Community organisations also use volunteers and take great pride in their local area. Managing these facilities can help to empower local communities and can bring opportunities for greater independence and financial sustainability. We are fully committed to using our assets to form long-term partnerships with suitable community organisations, to create stronger, more cohesive and more sustainable communities.

#### **4. Other Key Objectives**

**1. Alignment with the Council's Medium-Term Financial Strategy:** Asset management is identified as a key theme in the Medium-Term Financial Strategy (MTFS), which recognizes the important role it will play in supporting the delivery of a balanced budget and to address longer term forecast deficits. For example, the council's investment property portfolio generated net income in 2021/22 of just under £3m. Further income is generated from other operational assets such as those held for regeneration purposes.

Scope for additional investment in commercial property to generate a return has been limited by revisions to Public Works Loans Board lending criteria and updates to the Prudential Code to which the council must adhere. However, ensuring best use of all assets is crucial to support the delivery of the MTFS and the Asset Challenge process set out later in the Strategy will support this.

*The Capital Investment Strategy* sets out the council's capital spending programme and the principles which underpin this in order to deliver the desired priorities as set out in the Council Plan. The Capital Investment Strategy details the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the council's MTFS. The Asset Management Strategy supports the Capital Investment Strategy.

Risk, benefits, programme and affordability are assessed in each business case presented for approval. Many of the projects and schemes within the Capital Programme are related to the council's properties and assets and therefore aligning the programme with the Council's Asset Management Strategy is an important consideration. The Programme and Capital Board (PAC) plays a key role in ensuring that this process takes place and that funds are identified to improve the council's assets in line with its Strategies and Plans.

**2. Protect and enhance the value of Council assets.** This is not limited to growing rental income and capital values but also means investment in the fabric of assets by funding capital and planned maintenance programmes. We identify our priorities by

undertaking a programme of condition surveys aimed at identifying maintenance requirements over a period of five to ten years. This helps budget for a five year Repairs and Renewal Programme.

Protecting and growing rental income has been achieved by actively managing and negotiating rent reviews, lease renewals, lease restructures and keeping vacant property to a minimum. For example, in the financial year 2021/22, 43 transactions were successfully negotiated that documented and secured rental income of £800,000 pa. In the previous year, 2020/21, 27 transactions were completed securing £500,000 of annual rental income.

**3. Working with Partners:** We are active members of the Hampshire One Public Estate programme, working closely with other public sector organisations across the District to explore opportunities to reduce premises costs and make assets work better for our communities and customers. This includes supporting development of community or health and social care hub solutions for our residents and businesses. We will continue to explore opportunities for partnership working with both public and private sector bodies and agencies to ensure successful delivery of the Asset Management Strategy.

**4. Supporting Local Plan and Community Plan Policies.** Examples where Asset Management Strategy links with and supports other Council policy include regeneration and development of Council assets in accordance with Local Plan policy and support for community based activities such as parks, community centres and markets.

## **5. Key Challenges**

**Rental Income and Capital Values.** Protecting and growing rental income was achieved successfully during the pandemic, albeit that the Council granted £500,000 worth of rent abatement during this period. Growing income will however, become more challenging in the immediate future given current economic forecasts. The retail investment sector has been hard hit and continues to be subject to fundamental change and financial restructuring. 80% of the Council's rental income comes from 50 tenants (total of 345 tenants). We monitor these top 50 tenants in an attempt to better understand the income risk profile of the portfolio.

We are observing some emerging commercial property trends following the pandemic, but the investment portfolio remains resilient due to the inherently varied type of property and different sector lettings. The single biggest rent is from the Brooks Shopping Centre (rent £612k PA).

**Investment Acquisitions.** Changes to the PWLB lending criteria and the Prudential Code mean that Local Authorities are now barred from new investment in property primarily for the purpose of commercial returns. This will be a significant factor in limiting rental growth. Instead, acquisitions will be limited to regeneration purposes, where financial return is not the only driving motivation and any rental income must be recycled within the project or applied to related projects with similar objectives,



rather than being applied to wider services. A detailed asset by asset approach will therefore be necessary to secure additional income growth.

**Construction cost inflation.** Labour and material costs have risen by over 20% in the last year. This means that construction and refurbishment projects that were viable are having to be value engineered or shelved. Prospects are that this situation will worsen over the next three years. This has a direct impact on development, regeneration and new homes projects.

**Demolition of income producing buildings for regeneration projects.** This is a significant issue to resolve in situations where rental income needs to be replaced from assets that are due for demolition.

**New high quality public realm and subsidised accommodation.** These all come at a capital and revenue opportunity cost and need to be carefully balanced with affordability.

**Regeneration Master Planning Costs.** These can often exceed site values and can underestimate the importance of existing rental income.

**Energy Costs.** Rising costs are impacting the Council's operational portfolio and tenant businesses. Some carbon reducing technologies such as Air Source Heat Pumps use more electricity than conventional systems, so viability needs to be considered in individual business cases.

**Council Hybrid Working.** The Council has been through a space planning exercise and is transitioning to hybrid working for staff. Accommodation needs will be carefully monitored especially given the reduced floor area available following letting of the West Wing to the University of Southampton.

**New Homes Sites.** Demand for housing development sites continues to be highly competitive. This is making sites difficult to find and often unviable for the Council to acquire for affordable housing.

**Nitrates and Phosphates.** Mitigation is being resolved for nitrates but phosphate solutions remain largely unknown. Both factors are impacting new homes delivery.

**Medium Term Financial Strategy.** The challenges in protecting and growing rental income combined with ever increasing costs required to fund capital projects, will have a direct impact upon when and if property projects can be delivered.

## 6. Solutions

**Prioritise and Mitigate Risk.** Careful prioritisation of property projects that are deliverable, affordable and risk assessed, is a key solution to address the challenges above.

**Evaluation Criteria:** Adopting Best Consideration criteria based upon measurable outcomes and measurable costs will help with prioritisation and transparency of decision making. This will include an evaluation of carbon efficiency and opportunities in each case.

**Financial Resources:** Being clear about availability of funding and affordability is a key component to establishing priorities and risk.

**Provide Cost Plan Contingencies:** Provide appropriate contingencies to allow for increasing build cost and energy price inflation.

**Challenging our Assets.** Our Asset Challenge process is managed via the Property Board and comprises Cabinet Members, Strategic Directors and senior Officers. The group meets every six weeks to review key projects and property issues and portfolio performance. The ultimate aims of Asset Challenge are to reduce costs, increase income, identify assets that should be retained for use and/or invested in, and identify those that are surplus to requirements and therefore can be sold.

**Professional Resources:** Making sure that evaluation and delivery are supported by suitably qualified in-house staff and external consultancy.

**Asset Managers:** For day to day management purposes, the investment, community and corporate portfolio is divided into six portfolios, managed by six in-house, qualified and trainee Asset Management Surveyors. This management approach creates a deeper understanding of the whole portfolio and helps cultivate better relationships with Council tenants.

**Regular Management Meetings and Reporting:** The Estates and Corporate Building Team meet regularly to review progress on key work streams affecting income and expenditure. These work streams are all captured and reviewed in quarterly KPI reports that are presented to the Property Board.

**Strategic Focus on Significant Assets:** Quarterly reporting includes monitoring the Council's rental income risk profile, and assesses risk as high, medium or low. Currently, 80% of rental income is paid by 50 tenants. Approximately 17% of rental income in Q2 2022, is categorized as at high risk of default. Maintaining a strategic focus on risks and opportunities associated with the highest value assets, is key to mitigating financial loss and creating additional value.

**Clear Decision Making:** Reinforce the decision making process, allowing suitable flexibility for delegated authority to senior Officers and the Property Board. Being clear about the role of PAC Board and other Committees in strategic decision making.

**Consider all Property and Procurement Options:** Promote efficient, effective and sustainable use of Council assets by undertaking comprehensive Options Analysis at the outset of any project that involves land and property.

**Focus on Projects that are Deliverable:** This may mean doing fewer things, but doing them successfully.

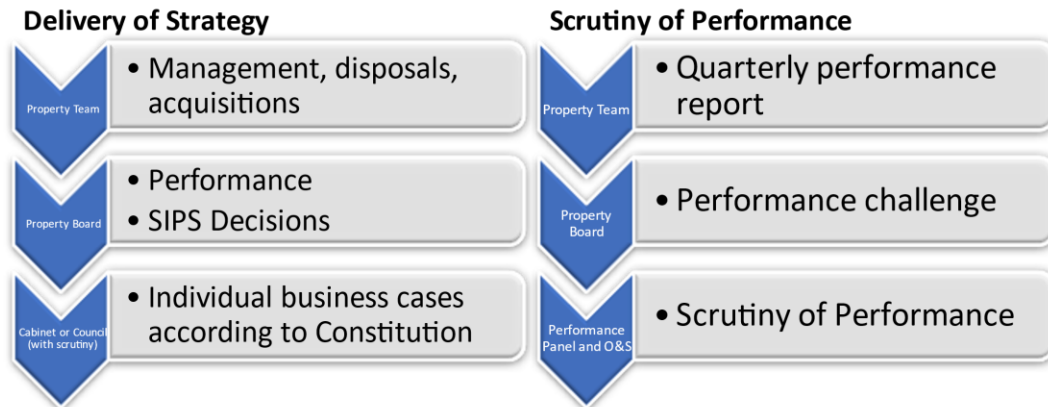
**Be Creative:** Cultivate and encourage a working ethos that develops creative thinking, creative discussion, constructive debate and opportunity to make change and make things happen.

## **7. Governance**

**Regular Reporting and Clear Governance Structure.** Concise and relevant property reporting is essential as a basis for good communication and effective decision making. Quarterly and annual portfolio reports are produced highlighting key property performance indicators including updates on:

- (i) Carbon Reduction Projects and the Estate's carbon performance
- (ii) Rent Reviews
- (iii) Lease Renewals
- (iv) Rent Arrears
- (v) Property Inspections
- (vi) Dilapidations
- (vii) Vacant Property
- (viii) Legal Cases
- (ix) Budgets
- (x) Maintenance and FM
- (xi) Corporate Projects such as regeneration and development
- (xii) Disposals and acquisitions

# Governance



The Property Team deliver the technical knowledge, undertake negotiations and perform operational tasks and prepare the quarterly reports.

The Property Board is established to oversee the Asset Management Strategy and approved property budgets and includes delegations under the Strategic Asset Purchase Scheme (SAPS). It is a non-public Board comprising the Leader, Portfolio Holders (for asset management and finance), Strategic Directors, S151 Officer, the Corporate Head of Asset Management and the Finance Manager (Capital & Treasury). The Board considers and makes recommendations on:

- Acquisitions and Disposals
- Strategic property options for individual or groups of assets, based upon the principles of Best Consideration ie Financial, Social, Economic and Environmental.

The quarterly report to track the success of this strategy will be submitted through the Council's quarterly reporting regime into the Performance Panel. Any reports seeking a Decision from the council on individual properties or business cases will be taken through the appropriate Council approval route.

## 8. Recent Achievements

We continue to demonstrate ambition and innovation in making the best use of our land and property assets and support regeneration in key areas of the District for the benefit of our communities.

Progress made on delivery so far includes:

**New Homes:** Construction of 77 new homes at The Valley. Acquisition of 54 new affordable homes in North Whiteley (under construction 2022); Letting of a construction contract to Wates for 74 new homes in Winnall

**New Employment Space:** Redevelopment of the redundant Bishops Waltham depot into a new purpose built mini business park called Quarry Business Park (completed 2021. Now fully let.

**Guildhall Nightingale Court:** Letting of The Guildhall for 18 months during the pandemic to the Court service at a rent of £400,000 pa. The Licence ended in April 2022. Following vacation of the Guildhall by the Court Service, the building is now available for hire and is being managed in-house

**Letting of West Wing, Guildhall,** to University of Southampton, School of Art.

**New Leisure Facility:** Completion of the £42m new Winchester Sport & Leisure Park

**New Car Park:** Completion of the Barfield Close car park at Bar End

**Carbon Reduction:** Implemented a range of renewable energy installations including solar panels and new windows to City Offices, solar panels on BIFFA site, WSLP and Barfield Close car park.

**Sustainable and compliant buildings:** Energy Performance Certificates have been successfully secured on all qualifying buildings for rent, which means that the Council is fully compliant for the deadline of April 2023.

**New Uses for Old Buildings:** Let Coitbury House to Property Guardians as a temporary use.

## **9. Areas of Focus for 2022 to 2027**

**Estate Carbon Reduction Strategy:** The carbon reduction strategy has been divided into three phases to optimise focus and efficiency.

- *Phase 1:* Corporate Occupied Buildings (E.g. Guildhall, City Offices, Cipher House, F2, Abbey house)
- *Phase 2:* Community Assets (E.g. WSLP, Other leisure (Pavilions), Public Conveniences, Car parks)
- *Phase 3:* Income Generating and Regeneration Assets

Work to be undertaken includes:

- Desktop study of existing feasibility studies
- Building audits and further feasibility studies where required.
- Building heat loss analysis and calculations
- Specialist technical site surveys
- Desktop assessment of energy demand.
- Identification of external funding sources; e.g. Public Sector Decarbonisation Scheme
- Site energy data analysis
- Heat loss analysis and review of heat technologies
- Analysis of additional energy savings for each building e.g. BMS, Solar, Lighting, Insulation etc.
- Site surveys to identify and verify solutions for each site
- Outline scope of works for each project
- Outline design for each project
- Indicative savings calculations for each of the projects
- Outline programme of works
- Risk register
- Tender and project manage installation for WCC

**Central Winchester Regeneration Strategy:** Following adoption of the SPD for Central Winchester, a procurement process commenced in March 2022 to identify and appoint a preferred Development Partner. Appointment anticipated April 2023.

**The former Leisure Centre at River Park:** Ongoing high level discussions with University of Southampton for Higher Education development.

**Station Approach:** A new approach to master planning the Station area has been launched taking account of additional sites, including Carfax, Cattlemarket and Network Rail car parks. Public consultation and site capacity planning is under way.

**Guildhall:** Medium term options for management of the building are under continuing review.

**St Clements Surgery:** Delivery of Health and Wellbeing Strategy by the sale of a long leasehold interest in Upper Brook Street car park for the development of a new St Clements GP surgery. Contracts are exchanged with a healthcare developer and construction is due to commence early 2023. This is six months behind schedule due to construction cost inflation requiring the scheme to be value engineered.

**Bar End Depot:** This redundant depot site has been used by Council contractors working on the new Leisure Park and more recently, the Vaultex car park construction. Now that these projects are complete the site is being marketed for sale and development.

**The Goods Shed, Barfield Close:** A planning application has been submitted for the restoration of the Old Goods Shed and development of 10 business and light industrial units. The Council may act as developer and retain the investment or alternatively the site may be sold with the benefit of a planning consent. The scheme is subject to planning approval and further viability testing. However, due to the increase in construction costs, the scheme is no longer viable so the site may be let as a temporary storage facility or used by the Council for operational purposes.

**Friarsgate Medical Centre:** Demolition and construction of a temporary pop-up City Centre park will act as an interim use before regeneration plans are agreed with a successful Joint venture partner.

**The Brooks Shopping Centre:** The future of this major freehold asset is under review following the head tenant's proposal to assign their interest. The changing retail environment has put pressure on the viability of the center in terms of lettings and occupational rents.

**Nitrates and Phosphates:** We are looking at potential land acquisitions as part of a nitrate offsetting strategy and an upgrade to the Councils sewage treatment works to mitigate phosphate impact.

**Meadowside Leisure Centre, Waterloo:** Solar Panels are to be installed. External funding now secured.

**Budgeting:** Provide evidence to support five year capital and revenue expenditure in the maintenance and improvement of non-housing assets.

**Best Consideration and Decision Making:** To help support decision making, a scoring model for assessing Best Consideration is to be considered. Evaluation Criteria would include as examples:

*Financial Score* = highest capital or rental values

*Economic Score* = employment generation; footfall generation; business to business value; center of excellence value; opportunity for growth;

*Social Value Score* = housing needs; community support; health and wellbeing; opportunity for growth

*Carbon Neutrality Score* = what contributions are made to achieving net carbon zero targets.