

Spelthorne Borough Council

Capital Strategy





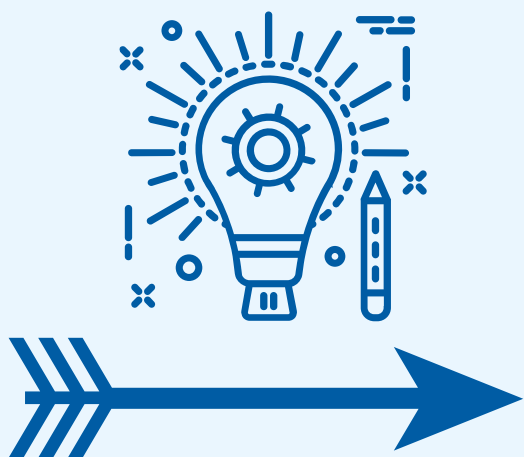


Executive Summary

At a time when many councils have been cutting services to survive austerity, Spelthorne has developed a programme of commercial property investment which has safeguarded the services we deliver to residents. It has also enabled us to develop much-needed housing across the Borough, and a key goal of our new Capital Strategy is to continue this momentum and build many more homes in the years to come.

This Executive Summary expands on our Strategy, looking at where we have come from, what we are currently doing and what we will be doing in the future.

Where we have come from



2008 – 2016

Developing a strategy to safeguard services

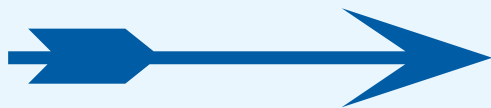
Following the financial crash, Spelthorne was subject to increasing spending constraints and cuts in government funding. This resulted in a marked reduction in the Council's budget and a declining ability to deliver new services. Staff numbers were reduced and budgets were trimmed in all council services, threatening our future ability to deliver services for residents. In response, the Council developed a strategy – Towards a Sustainable Future – part of which aimed to generate income from property.



2016

Investing in the BP HQ in Sunbury-on-Thames

In 2016, the Council acted on a unique opportunity to invest in a landmark business park – BP's headquarters campus in Sunbury-on-Thames. The campus now generates £3.8m of net annual revenue which underpins the running of the Borough and helps to maintain services for our residents. This also established an investment model: investing in commercial properties to generate substantial secured income from good quality tenants.

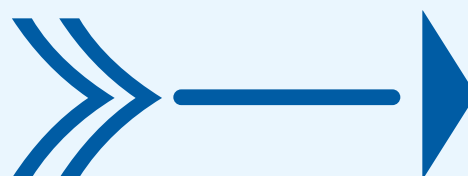


2016 – 2020

Focusing on commercial property investments

Following the BP investment, we identified and acquired a number of additional best-in-class commercial properties. All told, these assets now contribute around £10m net annually to the Council. This means that in 2018-19 about half of our budget will come from property investments. This has avoided the need for any cuts and helped to protect key services that many other authorities are having to do without, including:

- Day centres
- Meals on wheels
- Community transport
- Grants to voluntary organisations
- Changes to frequency of refuse and recycling collections



2020

Delivering much-needed affordable housing

The Council's finances are now more stable. There are still external financial challenges, but we can now concentrate on one of the most pressing problems we face; providing the wide range of housing types that our residents need. Affordable rented accommodation is in particularly short supply, with around 2,000 households currently in need.

With the assets already owned by the Council and a number of other strategic purchases, we have developed an ambitious building programme which could produce over 700 units over the next five years. This is 20% of the current housing need in our new Local Plan.

What we are currently doing

Our pipeline of housing projects

We have a number of developments currently underway and we are actively investing so we can build more homes throughout the Borough.



Managing costs

With housing projects being so capital intensive, a huge outlay is needed before rental income is generated. We recognise the importance of managing costs and we are ensuring that the funds generated by our commercial investments work hard and make more developments possible.

Key costs of housing projects

- Purchase of the site
- Interest cost of holding the site after it has been purchased
- Securing planning
- Choosing contractors
- Paying construction costs
- Paying interest on capital costs over a number of years



**700+ housing units
under development**

nits



House

36 units



Ceaser Court phase 2

115 units



Victory Place

140 units



Thameside House

ar
21

Sep
2021

Q2
2022

Q3
2022



Developing infrastructure

We know that residents want to see that new housing is supported by increased and improved infrastructure. As a developer, we are making planning contributions to allow this new infrastructure to be provided, adhering to our own planning policies, to ensure high quality developments.

We are also looking at a number of sites that have been overlooked until now, such as town centre regeneration opportunities, and our plan is to develop these to go some way to meet the shortfall in housing.

What we will be doing in the future



Focusing on moving forward our housing delivery and Borough wide regeneration programme

Looking ahead, we will be continuing to improve our Borough's housing and associated infrastructure, the revenue income we are already generating from recent commercial investments will offset the revenue budget impacts in the first phase of the programme. Moving

forwards we will be looking to use a range of funding sources including borrowing for housing, exploring joint ventures to deliver specific projects, grant funding and use of capital receipts.



Ongoing management

Having identified opportunities that meet our criteria, we will manage them well to produce solid returns. We will adopt a prudent approach to all our investments, setting aside cautious sinking funds to allow us to maintain their value and **cushion**

the Council during periods when there may be pressure on some of the rents. We will invest the sinking funds using a well-established treasury management regime which has produced excellent results to date.

Our tenants include:

COMPLETE
COVER | GROUP

Make-A-Wish

HSBC

ERICSSON

orange Business Services

PERFORM
SPORTS CONTENT & MEDIA



Johnson Controls



Maintaining our team

We will continue to ensure that the Council employs sufficiently qualified and experienced staff to be able to deliver our Capital Strategy, including:

- Commercial and Residential Asset Managers
- Development Managers
- Legal and accountancy support staff

We will also continue to engage leading City advisors to help us acquire and manage our investments.



Other requirements for future funding

Beyond housing, we have identified a number of projects that are a priority for the Borough, including:

- Providing a new high quality Leisure Centre to replace the existing facility in Staines-upon-Thames which is approaching the end of its economic life.
- Promoting a new light rail transport scheme from Staines-upon-Thames to Heathrow Airport, which will protect Spelthorne's environment in the face of airport development and bring new

investment and employment into Staines Town Centre.

The bulk of the scheme will be funded from private sector partners.

We also want to strengthen our social infrastructure through projects such as key worker housing and health centres. We are committed to working with other organisations to deliver all of these initiatives in the most efficient and economical way for the benefit of residents.



wework

SAMSUNG

Verifone

CAFFÈ KIX

amadeus

Conclusion

Our focus over the last decade on commercial property investment has played a key part in putting the Council on the firm financial footing that it enjoys today. This has enabled us to protect essential services while pursuing a Capital Strategy that prioritises the provision of much-needed housing **for the benefit of our residents.**





New tenants move into their homes in Sunbury.



Reviewed: March 2020