Appendix 5

Rother District Council

ASSET MANAGEMENT PLAN
Preliminary Scoping Document 2013

CONTENTS

1.0 INTRODUCTION

1.1 Context

1.1.1 This review of the Asset Management Plan comes at a time of significant changes in Local Government. Current restrictions on public spending have resulted in a significant scaling back of Local Government funding. This in turn has forced local authorities to review the ways in which they deliver services and to work collaboratively in order to reduce overheads.

1.1.2 Land and property assets have an important role to play in this process, both as generators of revenue and ensuring that operational assets are used as efficiently as possible.

1.1.3 There are a number of factors to consider; as the Government encourages local communities to take a more active role in managing services and planning for the future, the devolution agenda has become an important factor. A significant proportion of the land and property held by local authorities is held not for their investment value, but for the benefits they provide to the community; including parks and gardens, public open spaces, promenades, public conveniences, leisure and cultural facilities and cemeteries. Increasingly communities are being encouraged to take on direct management and/or ownership of these facilities.

The Business Rates Retention Scheme seeks to encourage local authorities to actively promote new development by allowing them to retain a proportion of the business rate revenues thus generated.

The 'Town Teams' being established up and down the country to drive change in our town centres and high streets also place community involvement at the heart of the management of public spaces.

Community groups are being encouraged to acquire and run land and buildings which benefit local people, and the Localism Act 2011 provides them with a 'right to bid' via the creation of a 'Community Asset Register'.

Local Government is also an integral part of the national efforts to combat climate change, by setting high standards by minimising energy usage and maximising energy efficiency in its properties, and by sourcing environmentally friendly products and services.

1.2 Purpose of the Asset Management Plan

1.2.1 The purpose of the Asset Management Plan is to set out the principles by which the Council will manage its land and property assets to assist in the delivery of the Council's services and in the delivery of its Corporate Plan. It will set out a strategy for ensuring that the Council's land and property portfolio is managed in a way that meets the authority's present and future needs.

1.2.2 The Asset Management Plan therefore fulfils a number of functions:

- to provide a clear statement of the Council's intentions;

- to ensure that operational properties are fit for purpose and appropriate to the delivery of the Council's services;
- to maximise revenue income and minimise costs where possible;
- to identify where the acquisition, disposal or management of assets can support the delivery of the Council's corporate priorities;
- to identify property assets suitable for disposal to generate capital receipts; and
- to align with Council policy on carbon reduction and energy efficiency.

2.0 SUMMARY OF THE CURRENT PORTFOLIO

2.1 Overview

2.1.1 The Council holds over 330 separate parcels of land and property across the district with a wide range of uses, including woodlands, allotments, parks, car parks, public conveniences, cemeteries, offices, factories and workshops. The total value of the Council's Assets as at 2012 was estimated at approximately £30m and produced a revenue income in 2012/13 of approximately £615,000.

2.1.2 The assets can be divided into the following broad categories:

- Operational, Office and Administrative Property – buildings needed for the Council's central administration and services, including the Town Hall.
- Operational, Direct Service Property – land and buildings which the Council (or its agents) occupy for the direct provision including Swimming Pools, a Leisure Centre, public conveniences, public parks and recreation grounds or which the Council has a statutory duty to provide,.
- Operational, Indirect Service Property – land and buildings which the Council has no statutory duty to provide, and where there may be a degree of subsidy required for their provision (e.g. off-street car parks).
- Non-operational, Investment Properties – land and buildings let to third parties to generate income. These include a number of industrial and commercial properties, various retail and leisure properties, and one or two areas of let agricultural land. This category also includes a number of assets let to sports and other voluntary bodies.
- Non-operational Vacant or Surplus Property – land and buildings no longer required for operational purposes and held pending disposal. This category also includes land held as a land bank pending suitable development, including land where development would be premature for planning reasons or due to lack of infrastructure.

2.1.3 For accounting purposes, International Financial Reporting Standards (IFRS) requires the Council to adopt the following categories of assets:

- Property, Plant and Equipment:
  Operational Assets
  - Council Dwellings
  - Other Land and Buildings
  - Vehicles, Plant, Furniture and Equipment
  - Infrastructure Assets
  - Community Assets

  Non-operational Assets

  - Surplus Assets
  - Assets under Construction
- Heritage Assets
- Investment Property
- Intangible Assets
- Assets Held for Sale
- Long-term Investments
- Long-term Debtors

2.2 Revaluations

2.2.1 The Asset Register is formally revalued every 5 years, the most recent revaluation having taken place in 2012. A desktop review of the overall portfolio value is carried out annually, to reflect market fluctuations.

2.2.2 Assets are valued according to their type, in one of the following ways:

- Open Market Value (OMV) – The price that might be obtained for the premises if offered for sale on the open market. Applied to non-specialist land and buildings which are not essential for operational purposes (e.g. investment properties).
- Existing Use Value (EUV) – Similar to OMV but disregarding any potential uplift to reflect redevelopment potential. Applied to non-specialised operational assets (e.g. Town Hall, Bexhill Museum).
- Depreciated Replacement Cost (DRC) – The cost of replacing the building or asset, adjusted to reflect depreciation since its original construction. Applied to specialist premises that would have no market value (e.g. public conveniences).
- Historic Cost less Depreciation / Community Asset (CA) – generally applied to areas of open space where no development potential exists and which the Council holds as amenity space.

2.3 Componentisation of Assets

2.3.1 In accordance with International Financial Reporting Standards (IFRS) the Council is now required to 'componentise' assets. Since April 2010, where the Council has formally revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property. The Council has adopted the following components:

- Land
- Buildings
- External areas (such as car parks)
- Plant and equipment (such as lifts and heating systems)

2.3.2 The Council has also adopted a 'de minimis' level of 10% of the building value or £50,000 to apply componentisation.

3.0 ASSET MANAGEMENT AND THE CORPORATE PLAN

3.1 Core Aims and Outcomes

3.1.1. The core aims and outcomes of the Corporate Plan 2014 - 2021 are currently drafted for consultation as follows:

1. An Efficient, Flexible and Effective Council

- Quality customer service and communications.
- Value for money, performance improvement and efficiency.
- Securing external support and funding.
- A learning organisation.
- Increasing resilience and self-sufficiency.

2. Sustainable Economic Prosperity

- Flourishing local enterprise, increasing jobs and skills.
- Town centre improvement.
- Improvement of road, rail, bus and broadband networks.
- Prosperity through sustainable tourism.
- Manage spatial development through Local Development Framework.

3. Stronger Safer Communities

- Provision of good housing advice; affordable and decent housing stock.
- Safer communities and reduction in anti-social behaviour.
- Promoting active and healthy lifestyles.
- Addressing deprivation and welfare needs.
- Promoting diversity and inclusion.

4. A Quality Physical Environment

- Quality waste, recycling and street cleaning service.
- Quality public realm.
- Improved green spaces.
- Conservation and biodiversity.
- Reducing carbon emissions.

3.1.2 Land and property assets have a key role in facilitating the delivery of the Corporate Plan by providing facilities to deliver services, providing facilities for the public, and by generating income. They are also a resource to help achieve social and economic benefits e.g. employment, training, leisure, health and fitness.

3.2 Joint Working and Shared Service

3.2.1 Public service providers in East Sussex are working together through the Strategic Property Asset Collaboration in East Sussex (SPACES) network. The purpose of SPACES is to identify opportunities to share public sector services and assets at less cost within East Sussex. It has set out the following objectives:

- To reduce the size of the public property estate in Sussex.

- To meet existing and anticipated business needs of partners.
- To reduce the annual revenue cost of public property in East Sussex.
- To lower the carbon footprint of partners, mitigating against climate change.
- To provide modern, flexible working environments.
- To increase co-location of partners.
- To reduce property lease costs paid to private landlords.

3.2.2 The SPACES group looks for opportunities to make better use of public sector assets by identifying opportunities where the co-location of services can bring benefits both to the public and to the authorities through efficiency savings.

3.2.3 At present, SPACES has been focusing mainly on operational requirements, however in future the group has the potential to take a more strategic approach to collaboration, by considering the public sector estate in its entirety and considering opportunities for realising value through collaborative disposals and development and, sharing the benefits that accrue.

3.2.4 By way of an example, Rother District Council and East Sussex County Council recently agreed to undertake a land swap in order to transfer land required for the Bexhill-Hastings Link Road and in return, to acquire (part of) the former Bexhill High school site potentially for the provision of a new leisure centre.

3.3 Devolution of Services

3.3.1 The Council is open to devolving the delivery of services where opportunities arise, and where it is feasible to do so. In 2012, the Council reviewed this approach through a Working Group, which met with Parish and Town Councils to identify where services could be delivered locally; these discussions have primarily related to the operation of car parks and public conveniences.

3.3.2 Where management of a property asset is to be devolved to a Parish or Town Council, generally the Council has retained the freehold but granted a 99-year lease at a peppercorn rent.

4.0 ASSET MAINTENANCE

4.1 Condition

4.1.1 At the last asset revaluation carried out in 2012, the valuers were asked to make a general comment on the condition of the buildings, and to highlight any particular issues. The majority of properties held by the Council are in a satisfactory state of repair; however some are nearing the end of their economic life. Where a property is in a state of disrepair or at risk of becoming so, the Council will review its options for retention or disposal depending on the circumstances in each case.

4.2 Planned Maintenance

4.2.1 Major works of maintenance, such as refurbishment of the Town Hall roof completed in 2013, will be undertaken in accordance with a planned maintenance schedule. Other works depend on budget availability and are prioritised according to urgency.

4.2.3 Operational assets such as car parks and public conveniences require regular maintenance and periodic refurbishment and this is reviewed by the service responsible for managing the asset(s) as part of the annual budget-setting process.

4.2.4 With regard to tenanted properties, responsibility for repairs varies between the tenant and the Council, depending on the type of property and the length of the lease.

5.0 DATA MANAGEMENT

5.1 Geographical Information System (GIS) Database

5.1.1 The location and extent of all properties owned freehold or leasehold by the Council are recorded on the Council’s GIS database. The GIS database also includes the description and value of all property assets, basic tenancy details of let property, the current rent and previous rents payable under the leases. The system allows officers to identify action required on a monthly basis to initiate rent reviews, lease renewals etc.

5.1.2 The Land Terrier overlay on GIS refers to the deed packet where title deeds and other documents relating to the property are kept.

5.2 Planned Updates

5.2.1 Further integration of property records is now required to provide as comprehensive information as possible through a single central database, accessible via the GIS system. It is proposed that this should include access to scanned copies of Land Registry Entries, leases and licences, along with any photographs, floor plans and drawings, and the latest Asset Valuation report for the property; and relevant notes on current activity. At present this system is not integrated with the Council’s financial management systems and this is also the subject of review.

6.0 STRATEGY FOR RETENTION OF ASSETS

6.1 Operational Properties

6.1.1 Operational properties needed for the proper functions of the Council will be retained where required. These include administrative offices such as the Town Hall, and other premises required for the delivery of both statutory and non-statutory services such as chargeable car parks and cemeteries. Some of this asset class are subject to devolution and asset transfer. The management of retained assets will be driven by service delivery needs and resources on a case by case basis.

6.1.2 From time to time properties may become surplus to requirements for operational purposes, most likely as a result of scaling back of services due to budget restrictions. For example, as a result of the resetting programme, the Council vacated its office at 14 Beeching Road, which was then let in order to provide both a capital receipt and revenue income as an investment.

6.1.3 We will continue to review the operation of these properties and explore opportunities to generate revenue and / or minimise the costs associated with owning and maintaining them.

6.2 Assets with Amenity Value

6.2.1 The Council holds a number of properties for their amenity value to the public, including parks and public open spaces, promenades etc. In the majority of such cases there is no viable alternative owner and retention by the Council is therefore needed to ensure that the benefit to the community is maintained and protected.

6.3 Non-Operational Investment Properties

6.3.1 These fall into the following categories:

- Properties whose rental income to the Council has growth potential, is well secured and likely to exceed the interest on the capital receipt should the asset be sold.
- Properties where the rental income may be short-term but where the timescale for disposal and/or redevelopment should be delayed on account of market conditions or planning constraints.
- Properties held because of their location, or where the Council needs to exercise control over future use e.g. affordable housing development or to safeguard future development plans.
- Properties which have been let on a long lease to Parish or Town Councils or other local organisations.

6.3.2 At present, the Council holds a number of non-operational investment properties, many of which generate modest incomes but which collectively make a significant contribution to the Council's revenue income. The Council will therefore review the performance of its investment assets in the light of the income that is produced, balanced against the costs associated with holding the assets, including maintenance and repair, legal and administration costs. The Council will dispose of assets that are underperforming and reinvest the capital receipts thus received to generate a more productive and cost-efficient revenue stream.

7.0 STRATEGY FOR DISPOSAL OF ASSETS

7.1 Freehold Disposals

7.1.1 Historically, the Council has not normally disposed of its freehold interest in land or property, unless this was deemed desirable in order to be re-invested more beneficially elsewhere. However, the Council should seek to divest itself of land that has no operational, financial or strategic benefit as there is a management cost to owning and administering such assets. The following 4 categories of land may be suitable for disposal:

7.2 Low Income Land

7.2.1 As identified in 6.3.2. above, land which produces little or no income and which is not held because of its amenity value to the public will have a high priority for disposal, either because the cost of managing the asset exceeds the income produced or because the interest receivable from the capital receipt on disposal will exceed the income. The Council will look to maximise the value of this land by exploring alternative uses prior to disposal.

7.3 Land for Development

7.3.1 The Council holds a small number of sites which have potential for redevelopment and the Council will seek to dispose of such sites at the appropriate time in order to generate capital receipts. The constraints affecting the disposal of these sites are:

- Planning Policies – full value can only be realised with the benefit of planning permission for development. If a site has development potential but planning permission is not forthcoming because of planning policies, it can be advantageous to retain the site and review the position periodically.
- Site Assembly – certain small parcels of Council-owned land may only be appropriate for development as part of a larger scheme including neighbouring land and consequently need to be held and managed until a comprehensive scheme is implemented.
- Requirements for satisfying other Council policies – certain sites identified for affordable housing can only be developed with a Registered Social Landlord as partner when funding is available.
- Market Conditions – there has to be effective market demand for the development product before a developer will provide it.

7.4 Surplus Operational Property

7.4.1 Buildings which become surplus to requirements for operational purposes can be sold or let in order to generate capital receipts or revenue income. The constraints are:

- Planning Policies – planning permission may be required for any change of use.
- Costs of Alterations – operational properties may require conversion or modernisation to meet the requirements of a new occupier, and this may have an effect on the sale price or rent receivable.
- Local Market Conditions – there may be occasions where economic conditions do not favour marketing the property at a given time.
- Financial Considerations – the Council will need to consider in each case whether it is preferable in financial terms to sell the freehold in order to generate a capital receipt, or to let the property in order to generate revenue income. This consideration may also be influenced by the other factors referred to above.

7.5 Brownfield Sites and Obsolescent Buildings for Redevelopment

7.5.1 Where a site is producing an income but where there are high management costs or where the rental income is uncertain due to the weakness of tenant covenants, it will be appropriate to consider disposal. The constraints are:

- Securing possession - problems and costs associated with obtaining vacant possession from tenants, if required, subject to consideration of all factors.
- Market conditions – as referred to above.

- Land Contamination – problems and costs associated with dealing with any contamination from previous uses.
- Costs associated with securing planning permission for alternative use in order to maximise value.

7.6 Devolution of Services

7.6.1 As set out in section 3.3 above, the Council may choose to dispose of an asset through the grant of a long lease in order to facilitate the devolvement of a service to a local organisation, such as a Parish or Town Council.

7.7 Sales Programme within the Asset Management Plan

7.7.1 The Council's Asset Management Plan will incorporate a Sales Programme, to identify assets that are surplus to requirements and capable of disposal, and subsequently to monitor the success of any disposal programme.

7.7.2 The Sales Programme will be reviewed annually as part of the annual Asset Management Plan.

8.0 STRATEGY FOR ACQUISITIONS

8.1 We will consider acquiring property where it contributes to achieving the corporate objectives of the Council and where it generates a revenue stream over and above the return on the capital were it to be retained on deposit.

8.2 The Council's Medium Term Financial Strategy sets out the assessment criteria for new capital acquisitions. This ensures that new projects are fully justified, including meeting local or national priorities, the expected outputs / outcomes, and assesses the risks and rewards that are expected.

The Council will consider acquiring land and property in the following circumstances:

8.3 Property required to deliver the Corporate Plan or other Operational Objectives

8.3.1 Where land or property is required pursuant to the Council's Corporate Plan, or is needed to meet statutory service provision (e.g. cemeteries), funding needs to be identified for acquisition within the Capital Programme and authority is then sought from Cabinet to open negotiations. Final approval may be delegated to the Executive Directors to approve the terms prior to legal completion.

8.3.2 Examples could include: premises required for Gypsies and Travellers; for the provision of leisure facilities; for regeneration and employment; or to facilitate the delivery of other contractual services.

8.3.3 The priorities for acquisition under this heading are set out in the Asset Management Plan and will be reviewed annually.

8.4 Adding to the Investment Portfolio

8.4.1 In recent years interest rates have consistently stayed at their lowest rate in living memory. This has had the effect of reducing the interest receivable from the Council's invested reserves, with a consequential impact on the Council's revenue income.

8.4.2 The Council needs to consider ways of generating additional revenue, and the re-investment of capital into investment property, which generates revenue by way of rental income, is one way of achieving this. The average long-term return on property investment, across all sectors, is in the region of 3% – 3.5%. This compares with a forecast of 1% or less for the Council's capital reserves. In theory this makes property more attractive as a potential source of investment income.

8.4.3 However, property should be seen as a medium-return, medium-risk investment. There are undoubtedly risks and constraints associated with property holding as an investment strategy, including risk of defaults, management and maintenance costs, and liquidity issues.

8.4.4 The Council will consider use of Capital Reserves and/or its borrowing capacity to acquire property assets to hold as an investment and to generate revenue income, where this also contributes to Corporate Plan objectives.

8.4.5 Any acquisitions will need to be considered in the context of maintaining an adequate balance of liquid reserves in the interests of prudent financial management, and assessment of the risks and costs associated with the acquisition.

8.5 Vacant Employment Sites

8.5.1 The Council will consider the purchase of employment sites offered for sale within the district to secure ongoing employment provision subject to full viability, best value and cost-effectiveness safeguards.

8.5.2 The Local Plan contains policies to retain employment sites and premises in employment use and to resist the loss of such sites to housing. As land for housing is more valuable than employment land, understandably some landowners will seek to satisfy the requirements to secure a change of use by marketing the site, but without a genuine intention to reach agreement on a sale or letting. This is however a difficult case to prove when such applications go to appeal.

8.5.3 However, should the Council make an offer to acquire the site, this would undermine any argument that no buyer for the site was forthcoming. In the short term, the Council could either a) retain the site and re-let it as an investment, thus creating employment and generating a revenue stream; or b) sell it on.

8.5.4 In the long term, if it were known in the market that the Council was being proactive in this way this may result in fewer applications for change of use and encourage owners to find commercial re-uses.

8.5.5 Funding options will need to be assessed for each proposed site to ensure affordability for the Council.

8.6 Sites for Housing

8.6.1 At present, the Council does not directly acquire sites for the provision of housing. Provision of sites is handled through the site allocations process under the Local Plan and through working with developers and social landlords when sites come forward for development, acting as brokers between landowners and social landlords and in some cases, allocating s106 monies secured for the provision of affordable housing.

8.6.2 As part of a longer term acquisition strategy, the Council will consider identifying and buying interests in strategic market housing sites. This speculative approach may not yield a return on capital immediately and opportunities will be assessed on merit and affordability.

8.7 Use of Compulsory Purchase Powers

8.7.1 The Council will consider the use of Compulsory Purchase powers to acquire properties where this will make a positive contribution to achieving the Council's corporate objectives and where all conventional routes have been exhausted. Section 226 of the Town and Country Planning Act 1990 empowers the Council to undertake a Compulsory Purchase Order (CPO) for planning purposes if it thinks the acquisition will facilitate the carrying out of development, redevelopment or improvement in the interests of proper planning of an area. Current national guidance states that a CPO should only be made where there is a compelling public interest case. This is open to interpretation and each case will require very careful consideration.

8.7.2 Use of CPO powers is governed by complex legislation, can be very costly and should generally be considered as a method of last resort and on a case-by-case basis. However, CPO remains a powerful tool available to the Council to help unlock sites for development or to drive changes in pursuance of the Council's corporate objectives.

9.0 PROPERTY DEVELOPMENT

9.1 Direct Development

9.1.1 Over recent years, the Council has undertaken direct development of a number of its assets; these include the development of the De La Warr Pavilion, the extension to Bexhill Museum, the development of new employment space at Elva Way, Sidley, the refurbishment of Bexhill seafront and the Colonnade and the upgrading of Egerton Park. In addition, the Council has invested in the upgrading of such assets as car parks; the Town Hall and public conveniences.

9.1.2 The Council will continue to undertake direct development of its assets where appropriate to deliver its Corporate Plan objectives, subject to viability.

9.2 Development by Third Parties

9.2.1 Where development is desirable but direct development by the Council is not the most appropriate means to achieve it, the Council will consider entering into joint venture arrangements to do so.

9.2.2 In some cases development may be achieved through a straightforward disposal of the site. However, where the Council places conditions or requirements on the redevelopment, or is seeking to enter into a joint venture arrangement, a more detailed procurement will need to take place in accordance with EU regulations.

9.2.3 Such procurement processes can be time-consuming and require considerable preparation, with attendant costs, for feasibility work, legal advice etc. However this is necessary in order to protect the Council from the possibility of legal challenge.

10.0 PERFORMANCE MONITORING

10.1 In the past, the Government required Councils to report on a variety of performance indicators covering maintenance and management costs, energy costs and carbon emissions, and the rate of return for investment properties. These were all abolished as part of the review of the National Indicator Set in 2009 and since then, the Council has reported to Members the gross income received through its business portfolio in order to monitor investment income.

10.2 In addition to its business portfolio, the Council receives rental income from other types of assets; and it is proposed that in future rental income from all property assets be monitored due to the importance of revenue generation as part of the Council’s budget management plans.

10.3 The Council will review its performance indicators periodically as part of its performance monitoring and review processes.

11.0 GOVERNANCE AND MANAGEMENT

11.1 Governance and Decision Making

11.1.1 All property decisions are taken by Cabinet subject to the policy and budget setting powers of full Council and the call-in procedure, except where matters have been delegated to officers. Reporting on the performance of investment properties and the property budget generally takes place as part of the overall budgetary monitoring reports.

11.1.2 With budgetary restraint likely to continue for the foreseeable future, the Council will need to continue to explore ways of achieving efficiencies by considering alternative delivery models, including shared services, devolvement, outsourcing or mutualisation.

11.1.3 In strategic terms, the Council will continue to retain the operation, control and oversight of its assets. Any new operational delivery arrangements will need to ensure that the Council’s portfolio can continue to be administered with effective strategic performance safeguards and appropriate risk management. The Council may opt to transfer some of its day to day property management functions to a property management company or alternative provider. This may include tasks such as lease renewals, rent reviews, security, maintenance, cleaning and so on. By transferring responsibilities in this way the Council may be able to manage its assets with greater efficiency. Prior to any change of service delivery the Council will undertake a cost/benefit analysis, appropriate consultation and evaluate the risk and impact on the overall performance of the portfolio.

11.1.4 Any proposed changes to management structure will form part of the consideration of the full Asset Management Plan.

12.0 RISK MANAGEMENT

12.1 The Council's desire to link its corporate requirements to land and property portfolio management is not without risk. Understanding and managing these risks is critical to the Council's ability to effectively implement the Asset Management Plan.

12.2 Risk for the land and property portfolio can be broken down into 5 main areas:

- Operational Risk
- Asset Impairment Risk
- Competitive Risk
- Property Market Risk
- Business Risk

12.3 Operational Risk is the risk of a breakdown in the Council's core operating capabilities critical to the objectives of the Asset Management Plan. Risk arises from staff changes and partner capabilities.

12.4 Asset Impairment Risk involves the potential for impairment in the value of the Council's balance sheet assets by both the property market and economic/political environment which are often unpredictable and not as easily managed as operational risk. Another source of asset impairment risk relates to intangible value. A lack of investment and a failure to pro-actively manage the Council's assets would undermine the objectives of the Corporate Plan and negatively affect the reputation of the Council. The final aspect of asset impairment risk relates to physical damage to an asset from fire, floods and other catastrophes.

12.5 Competitive Risk relates to changes in action by regulators, customers or suppliers. The Council is at risk if any of these changes (e.g. changes to national planning policy) reduce the Council's ability to create value or hinders its social regeneration objectives.

12.6 Property Market Risk exposes the Council to risk both in terms of the rate of return (fluctuation in yields, rents, capital values) and the volatility of those returns. The property market is highly unpredictable, governed as it is by multiple micro and macro-economic factors. Whilst the disposal of assets in a falling market will generally be avoided, the Council may be compelled to hold vacant surplus assets due to a moribund transactions market. Property market risks are wide ranging and where possible the Council will align its strategy for acquisition and disposal to the property market cycle.

12.7 Business Risk relates to the Council's attitude to risk and its ability to respond flexibly to changes in the property market. Effective asset management is not without risk and it is therefore proposed that the Council adopts a Corporate Risk Philosophy which sets the risk profile for a balanced portfolio. This will involve setting a risk appetite limit for each asset class as it relates to use, location, concentration and tenure.

12.8 A Corporate Risk Philosophy Statement, capturing the Council's attitude to risk and requiring a full risk management process to be undertaken when changes to the Asset Register such as divestment or acquisitions are carried out.