

## Cabinet & Executive Template

<b>REPORT TO:</b>	<b>30 November 2022 Cabinet</b>
<b>SUBJECT:</b>	<b>Corporate Asset Management Plan</b>
<b>LEAD OFFICER:</b>	<b>Jane West Corporate Director Resources and s151 Officer</b> <b>Peter Mitchell Director Commercial Investment and Capital</b>
<b>CABINET MEMBER:</b>	<b>Councillor Jason Cummings (Cabinet Member for Finance)</b>
<b>WARDS:</b>	All

### **SUMMARY OF REPORT:**

This report recommends the adoption of a new Corporate Asset Management Plan and outline Property Strategy to provide clear guidance in the way that the Council's assets are managed within the Mayor's priorities and Mayor's Business Plan. This will not only involve the delivering the required services but also to maximise the delivery of revenue opportunities and capital receipts wherever possible

The Council is currently financially unsustainable and needs to reduce its asset base considerably. It also needs to reconfigure its services to drive efficiency in essential delivery areas. This Plan will ensure that the right decisions are reached in relation to the Council deciding to sell, buy, rent or hold assets.

The Plan addresses the issues raised by the Improvement and Assurance Panel and builds on the Interim Disposal Strategy that was adopted in 2021 as the initial stage in addressing the concerns raised around governance and financial sustainability of the Council.

It is important that the plan remains dynamic to ensure that it can address changes to service delivery and corporate priorities and it is therefore recommended that it is reviewed annually to incorporate changes to delivery and financial priorities.

This Plan will deliver a more integrated approach to the use of the Council's assets from both service delivery and financial perspectives, by:

- provision of properties that will directly contribute to the delivery of essential services to our communities and other stakeholders;
- ensuring better fire, health and safety management
- securing good and sustainable income streams from non-operational and investment properties.
- helping plan and manage property utilisation in support of the Council's initiatives and service delivery;
- supporting the delivery of the Mayor and Council's corporate vision, aims and priorities;

- formalising systems, procedures and controls;
- a more robust understanding of the current condition of our key operational assets to enable a more effective budget and repairs programme moving forward.

The Strategy outlines the approach to enable revenue and capital benefits to be secured and the approach and governance around the disposal of property and a proposed list of asset disposals. The principles established within these documents will be used to identify and bring forward future proposals.

#### **FINANCIAL IMPACT:**

**The overall aim of the AMP and Property strategy will be to reduce costs of retained corporate assets used for the delivery of services. It will also look to maximise revenue generation from key assets non-operational assets that are retained to deliver income to support service delivery.**

**Through the development of the strategy around the current asset base, the identification of surplus assets will help to deliver further capital receipts to reduce the Council's capital financing costs and overall running costs.**

#### **KEY DECISION REFERENCE NO.: n/a**

The Executive Mayor has the power to make the decisions set out in the recommendations contained within this report:

#### **RECOMMENDATIONS**

The Executive Mayor in Cabinet is asked to:

1. Approve the Corporate Asset Management Plan attached at Appendix 1;
2. Approve the proposed Corporate Property and Disposal Strategy attached at Appendix 2; and
3. Note the list of proposed asset disposals attached at Appendix 3 which will be subject to relevant decision making in accordance with the Financial Regulations and any service provision decisions, including statutory consultation where required.

## **1. DETAIL**

### Background

- 1.1 It is essential that the Council is able to manage its assets effectively and strategically to reflect both corporate priorities and community demands within the Borough. It is recognised as good practice for local authorities to

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produce an Asset Management Plan (AMP) setting out broad objectives for the management, development and rationalisation of their property assets over the medium term. This was recognised by the RIPI report in 2020 where it was identified that the current Asset Strategy expired in 2019 and therefore one of the recommended actions was to deliver a new Plan and Strategy to ensure the best use of the Council's assets and ensure more accurate planning and budgeting.

- 1.2 The Council is currently financially unsustainable and under unprecedented pressure to reduce expenditure. The better use of property assets can play a key part in delivering savings. The Pandemic demonstrated that service delivery can still be effectively provided through the adoption of alternative delivery methods and together with an increase in hybrid working it is key to adopt and develop these new ways of working and service delivery to help deliver the required savings.
- 1.3 The AMP sets out the clear direction and processes to ensure best use of the Council's assets to support both service requirements and the wider corporate objectives such as improving the Council's financial position through income generation. It will also enable better budgeting through the understanding of service requirements and the condition and use of buildings.
- 1.4 With the continued requirement to deliver both revenue savings and capital receipts the number of buildings that are used to deliver services will need to be reduced. This can be achieved through the better utilisation of space, the adoption of hybrid working and adoption of different methods of delivery to residents. In some cases the changes may lead to the stopping of some non-statutory services. The AMP process looks to challenge the use of property assets and may help drive some of these decisions but there will be many other factors that may lead to the release or alternative use of assets.
- 1.5 It must be recognised that the Plan sets out the ideal position regarding the use and management of the Council's assets. However, given the Council's current position, a realistic view will need to be taken and it should be recognised that not all the areas can be addressed immediately and a phased approach may be necessary when looking at some of the recommended actions. Furthermore, use or release of some assets may require public consultation or other processes and this will be considered, where relevant.

## 2. Proposal

- 2.1 The Corporate Asset Management Plan (AMP) will detail the principles, procedures and mechanisms to be adopted to effectively and efficiently manage the asset portfolio. These are set out within the AMP and are focused on the operational assets including:
  - Corporate Offices
  - Depots

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- Culture and Leisure buildings
  - Community Assets
  - Income producing Assets
  - Libraries
- 2.2 The Plan does not consider the Housing Revenue Account (HRA) assets or community schools in any detail as these are the subject of separate strategies
- 2.3 An important element of the overall AMP will be the delivery of a new condition survey programme for all the key assets over the next 18-24 months. This was one of the key issues highlighted by the Improvement and Assurance Panel as a formal programme for undertaking condition surveys was stopped in 2016. The previous 5 year rolling programme of surveys could mean that some buildings have not been surveyed in detail for 11 years.
- 2.4 The new programme of surveys is an integral part of the new AMP and is being separately procured. This will provide a more detailed understanding as to the current condition of the main Corporate assets. The work will also provide recommended budgets for necessary repairs and expenditure over the next 5-10 years to allow a more accurate basis for budgeting for both revenue and capital spend. It will also help to highlight those assets that need major investment and may no longer be cost effective to retain.
- 2.5 The key priority will be to build on the current asset review to consider all properties so that a better understanding of how buildings are used and what potential exists to further consolidate based on changes in service delivery. This will be supported by the adoption of better governance processes and collection and retention of data through the corporate property database.
- 2.6 As part of the governance process, the proper maintenance and compliance with health and safety requirements will be focused on to ensure that any retained assets provide a safe and pleasant working environment that allows fully flexible working opportunities to support the new hybrid working model. This will inevitably result in more flexible space that can be used for a variety of functions to allow key buildings to be used as true Hubs – delivering a variety of services to residents in convenient locations.
- 2.7 The property challenge will extend to the opportunity for the delivery of services not only from operational assets but also from partner organisations whether these are run from Council owned buildings, as is the case for many community partners, or from their own assets. Such shared use may then lead to external funding such as from One Public Estate becoming available to help carry out any necessary capital spend on buildings.

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- 2.8 Although not a key element of the Plan, reference to and a better understanding of the Housing Strategy will help identify opportunities to support the wider property requirements within the Borough.
- 2.9 Corporate Asset Strategy will build on the “challenge” principles within the AMP to determine what properties can be released to help support the requirement to deliver capital receipts and reduce operational cost for the Council. Alternatively, some surplus assets may be retained and let to generate income where this is considered to be a better financial option.
- 2.10 The Strategy adopts a flexible approach so that it can support future corporate requirements. It will aim to identify properties for disposal in the short to medium (3 years) term but will be reviewed annually to reflect changes in the delivery of services.
- 2.11 The Strategy will initially consider a review of all corporate assets and consider them against current service delivery needs. The resultant proposal will include timelines to reflect known or anticipated service delivery changes and future opportunities. It will also consider the complexity around the relocation of services where this is necessary as well as opportunities that may arise through contract expiries and the release of assets currently used to deliver these functions.
- 2.12 As part of the AMP and Property Strategy documents, the Corporate acquisition and disposal strategies have been reviewed as these provide the key governance framework for the delivery of capital or revenue receipts from surplus properties
- 2.13 As part of the ongoing governance process an officer group will be set up to monitor the performance of assets looking at current occupation levels, running costs and opportunities for revenue/capital generation. This will then enable asset use and performance to be reviewed against the performance of other boroughs and available benchmark data.

### **3. CONSULTATION**

No external consultation has been undertaken regarding the Asset Management Plan but feedback from consultation regarding previous disposals has been included within the disposal strategy. Any required statutory consultation for particular disposals will be undertaken, where relevant.

### **4. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 4.1 The plan is required to provide more certainty and direction around the use of the Council's properties and to improve the governance processes around property transactions. The cost of holding and running assets is second only to staffing costs and therefore it is important to ensure that they are used in the most cost effective manner. By adopting a clear Plan, this will help identify opportunities through challenge, allow better budgeting through a full

understanding of condition and use and ensure that they are safe and flexible in their use.

## **5. OPTIONS CONSIDERED AND REJECTED**

- 5.1 It is recognised good practice for local authorities to produce an Asset Management Plan setting out their broad objectives for the management, development, and rationalisation of their built and land asset base over a five-year period.
- 5.2 Asset management provides a structured process to ensure value for money from property in serving the needs of the organisation and local residents. Section 151 of the Local Government Act 1972 requires councils to make arrangements for the proper administration of their financial affairs. The proposed AMP seeks to support this requirement.
- 5.3 No alternative options have therefore been considered

## **6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

### **6.1 The effect of the decision**

With around £1.3bn of debt for the General Fund brought forward at the start of 2022/23 and interest rates rising when that debt is scheduled for re-financing, the development and implementation of a sound asset management plan is essential to mitigate rising cost pressures and reduce the overall cost to the Council.

Where the Asset Management Plan recognises the need to retain assets for service delivery or produces a positive net return on the investment made (taking into account income yield risk) the Asset Management Plan will ensure the cost of holding such assets is minimised or net revenue income maximised.

**Approved by Matt Davis, Interim Director of Finance**

## **7. LEGAL CONSIDERATIONS**

- 7.1 The Head of Commercial Property and Law comments on behalf of the Director of Legal Services & Monitoring Officer that:
- 7.2 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs. The proposed Asset Management Plan (AMP) seeks to support this duty.
- 7.3 The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000.
- 7.4 There are various powers the Council may rely upon to dispose of its assets and the Council must comply with legal framework, including established

public law principles, in relation to disposal of land and property. Under Section 123 of the Local Government Act 1972, it has a statutory duty to sell land at the best price reasonably obtainable (“best consideration”), unless it has the consent of the Secretary of State.

- 7.5 Where land or property is used to deliver services, the Council must take a decision on changing or maintaining its existing service provision before disposing of assets that are used to provide these services. This could engage the public law duty to consult service users and other affected stakeholders.
- 7.6 The potential disposals will require decisions to be taken in accordance with the Financial Regulations and will require legal consideration as part of those decisions, including any prior consultation requirements or other restrictions relevant to the particular asset.

Approved by Kiri Bailey, Head of Commercial & Property and Law on behalf of the Director of Legal Services & Monitoring Officer.

## **8. HUMAN RESOURCES IMPACT**

- 8.1 There are no Human Resources considerations directly arising out of this report. The disposal of any assets and the potential impact will be considered in individual reports recommending the asset sales.
- 8.2 (Approved by Gillian Bevan Head of HR Resources on behalf of the Director of Human Resources)

## **9. EQUALITIES IMPACT**

- 9.1 The delivery of Council services requires assets both for staffing and customer service. However, there are no direct equality implications arising from this report.

Denise McCausland Equality Programme Manager

## **10. ENVIRONMENTAL IMPACT**

- 10.1 There are no significant implications or risks to consider. The Council has taken significant consideration in encouraging work from home where possible reducing the need to travel and usage of cars, diesel or petrol and consequences of CO2 emissions.
- 10.2 There will be an obligation to support the Council’s commitment to make the borough more sustainable and Carbon neutral by 2030. The AMP will help to identify inefficient buildings and improvements necessary to comply with current regulations for tenanted properties will help deliver more efficient buildings

Approved by: Bob Fiddik on behalf of the Director of Commercial Investment

**11. CRIME AND DISORDER REDUCTION IMPACT**

11.1 There are no significant implications or risks to consider at this stage. The impact of individual disposals, acquisitions or significant changes will be considered at the time and included within separate reports.

**12. DATA PROTECTION IMPLICATIONS**

12.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

**NO**

12.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

**NO**

(Approved by: Steve Wingrave on behalf of the Director of Commercial Investment and Capital)"

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**CONTACT OFFICER:** Steve Wingrave, *Interim Head of Assets, FM and Estate Management*

**APPENDICES TO THIS REPORT:**

**Appendix 1 Draft Corporate Asset Management Plan**

**Appendix 2 Corporate Property and Disposal Strategy**

**Appendix 3 Proposed asset disposals**

**BACKGROUND DOCUMENTS – LOCAL GOVERNMENT ACT 1972**