

Agenda Item No: 9.5 **Report No:** 93/17
Report Title: Corporate Asset Management Plan 2017-2020
Report To: Cabinet **Date:** 26 June 2017
Cabinet Member: Councillor Bill Giles
Ward(s) Affected: ALL
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Purpose of Report:

For Members to approve the Corporate Asset Management Plan 2017-2020 and implementation of a Strategic Property Board.

Officers Recommendation(s):

1. To approve adoption the Corporate Asset Management Plan 2017-2020;
 2. To delegate authority to the Director of Regeneration and Planning, in consultation with the Cabinet Member for Finance, to make minor amendments to the Plan if required before formal publication;
 3. To approve implementation of a Strategic Property Board;
 4. To delegate authority to the Director of Regeneration and Planning, in consultation with the Cabinet Member for Finance, to approve procurement waivers in respect of commercial agents and legal fees relating to strategic acquisitions undertaken in line with the Council's Acquisition and Investment Strategy.
 5. To agree that save for exceptional circumstances, the Council's policy will be to apply open market rent for all new leases.
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Reasons for Recommendations

1. The financial outlook for the Council continues to be challenging with a need for the Council to reduce its annual budget by 2020 in response to continuing reductions in government funding. Although by sharing services with Eastbourne Borough Council (EBC) Lewes District Council (LDC) can build resilience that will help protect services for local communities and visitors, this alone will not be enough to face the challenges ahead.

- 1.1 The Council has an overarching aspiration to achieve a sustainable asset base by 2021. Two decisions are required by the Council to help move forward a strategy that will support this aim:
 - Adoption and implementation of the Corporate Asset Management Plan 2017-2020 (AMP). The Plan sets out the strategic framework for how the Council will manage its property portfolio (excluding Housing Revenue Account assets) to support the Council's aims.
 - Implementation of the Strategic Property Board (SPB) to ensure Member oversight on property-related matters.
- 1.2 Progress on meeting the objectives of the AMP will be reported through SPB to ensure continued advancement in meeting the aspirations of the Council Plan.

Information

2. Purpose of the Corporate Asset Management Plan

- 2.1 The Corporate Asset Management Plan (AMP) is a fundamental document outlining the Council's strategy and priorities for its non-residential property. It encapsulates key initiatives and aims relating to the property portfolio and sets the direction for managing the property portfolio to help achieve the property aspirations of the Council Plan and the Council's overarching aim of reaching a sustainable asset base by 2021.
- 2.2 The AMP 2017-2020 (attached at Appendix 1a (AMP) and 1b (AMP Appendices)) is designed to run concurrently with the lifespan of the current Council Plan and will then be reviewed in light of the revised priorities from 2021. It is an important plan and is the first joint property document between LDC and EBC. In line with the commitment both Councils have to sharing services whilst retaining sovereignty over their respective areas, property asset management will be aligned across LDC and EBC but each Council's property portfolios will be treated separately. Accordingly, the AMP reflects both the shared vision and each Council's individual priorities.
- 2.2 Poorly managed property assets can be a major drain on Council resources, but when managed efficiently, the asset base plays a key part in helping to realise savings and generate income needed in order to meet future financial challenges. The Council requires flexibility from its property portfolio to support local communities, business and visitors and ensure that any held assets are efficiently managed to maximise and improve their uses and fully unlock their potential.
- 2.3 The strategy to support this objective has been captured in a management plan against which progress can be clearly monitored and objectives updated in line with the changing future economical and environmental needs of the Council and its communities. It will be the primary tool the Council will use to deliver the property elements of its corporate objectives and priorities working within the legislative framework and the Council's Constitution.

- 2.4 There is a yield growth target of 10% year on year which will be achieved through the strategic management of current and future assets in line with the AMP. Costs incurred in meeting objectives and carrying out works arising out of the adoption of the Plan will generally come from existing budgets, however, there may be circumstances, subject to relevant approvals, when additional funding is sought from central resources to support future one-off projects that will help achieve the aspirations of the Council Plan.
- 2.5 With the Property and Facilities Shared Service (PFSS) now established, the AMP sets out a clear framework for how the service area will manage the LDC and EBC portfolios and how PFSS will realise anticipated savings and benefits of the service. This will be accomplished through the establishment of the Corporate Landlord model which brings property management and the responsibility for maintenance, development, disposal, estate management (including leases and licences), and statutory compliance under a centralised corporate unit.

3 Aims and themes of the AMP

- 3.1 The AMP focuses on four key areas for realising efficiencies:
- Improving yield from the investment portfolio.
 - Reducing maintenance costs and liabilities.
 - Delivering efficiencies through smarter procurement.
 - Increasing the capital value of each Council's asset base.
- 3.2 The Plan:
- Provides the strategy framework for LDC and EBC to manage and maximise the potential of their property portfolios and meet the Asset Challenge;
 - Ensures that the respective property portfolios are managed and operated in accordance with the Councils' Corporate and Council plans and priorities and Medium Term Financial Strategies;
 - Ensures that the Property and Facilities Shared Service (PFSS) efficiently delivers benefits to each Council from the respective property portfolios;
 - Unlocks the potential of land and buildings across Lewes District and Eastbourne Borough, working with external partners where appropriate.
- 3.3 The efficiency areas and aims of the Plan are met through six themes which underpin the AMP Implementation Plan (within Appendix 1b), the area of the document that sets out the AMP objectives over its lifespan and beyond. The themes are:
- **Theme 1:** Establish a clear vision regarding how LDC and EBC will achieve a sustainable asset base by 2021: delivered through the Corporate Landlord model and Property and Facilities Shared Service planning;
 - **Theme 2:** Challenge the reasons for retaining assets and ensure that retained assets contribute towards a sustainable asset base: this comprises a critical part of Phase 1 of Asset Challenge;

- **Theme 3:** Identify the benefits and make best use of each asset to stimulate regeneration including the provision of affordable housing: Phase 2 of Asset Challenge;
- **Theme 4:** Seek opportunities where key strategic assets could realise significant capital and/or revenue returns in order to reinvest in the retained operational portfolio: the key element of Phase 2 of Asset Challenge as the portfolios move towards achieving a sustainable asset base;
- **Theme 5:** Reduce on-going property maintenance and financial liabilities for LDC and EBC: supports theme 4 in achieving the sustainable asset base objective;
- **Theme 6:** Ensure that retained assets combine social, cultural, environmental and economic benefits: guarantees that the Councils are only holding properties that meet corporate aims and objectives.

3.4 The AMP Implementation Plan will be subject to progress reporting to Strategic Property Board and annual refresh in line with changes in legislation and government requirements and the priorities of the Council's Corporate Plan and Medium Term Financial Strategy.

3.5 Whilst the AMP sets the strategy for managing the Council's property portfolio, it also provides the foundation stone for a number of supporting documents that will bring the AMP's aspirations and objectives to life as set out below:

3.5.1 Building Maintenance Plan

This identifies the overarching priorities for maintenance, such as Health & Safety, Statutory Compliance, and ensuring that buildings are weathertight and sets out how LDC and EBC will move from the current position of almost 100% reactive maintenance to a 60/40 planned/reactive maintenance basis over a two-year period;

3.5.2 Strategy and Policy principles

There are a number of strategies and policies that provide the governance and procedures to support AMP workstreams. They outline pledges from PFSS, and set the principles and decision-making processes. The principles of each strategy and policy are summarised within the AMP Appendices and below:

Acquisition and Investment Strategy

- That the yield from the investment should achieve a return to the Council at a specific % above the cost of capital borrowing, and after servicing the purchase costs, to be agreed on a case by case basis by the Council's Section 151 Officer.
- Due diligence checks are to be carried out on each acquisition
- That investment risk is spread over a range of property assets
- The asset base is to be balanced with the overall aim to achieve 70% of assets held as a long-term investment and 30% trading for profit.
- Where the business case is strong enough, acquisitions may occur outside of the Council's boundaries.

Disposal and Transfer Strategy

- In the normal course of events, property will only be identified as surplus to requirements having first been taken through the Asset Challenge process and clear reasoning provided. In exceptional circumstances, properties may be identified in advance of Asset Challenge.
- Due diligence to be carried out prior to consideration of a disposal/asset transfer.
- The most appropriate disposal method to be identified, which will usually be either private sale, private auction, informal negotiated tender, formal tender, or exchange of property.
- All disposals will be advertised via an agent and on the Council's website.

Lease and Rent Management Policy

- All new leases will generally be assessed on an open market rent basis. Social value may be taken into consideration if this is clearly in support of the Councils' main aims and objectives.
- New leases cover standard issues that will clearly explain both the landlord's and the tenant's responsibilities.
- Tenant selection and assessment will be clearly defined.
- Leases will specify how rent reviews will be conducted, along with the basis for assessment.
- Lease term will be considered on a case by case basis.

Accessibility Policy

- Accessibility funding will be prioritised in order to enable access to all.
- Where it is not possible to improve access to a building, an access plan will be put in place and alternative arrangements made so that the Councils' services remain accessible.
- Poorly performing assets will be identified and recommendations made to rationalise the corporate Estate.
- Equality Impact Assessments will be carried out where relevant to ensure no-one has been discriminated against by our property management processes.

Risk and Compliance Policy

- The Councils will provide and maintain buildings that are safe for users and staff by ensuring that the duty of care is fulfilled by meeting our statutory requirements.
- A rolling programme of surveys and assessments will be undertaken to identify, quantify, and prioritise any risks, or possible risks, to our staff, users, contractors, the general public and to our buildings.
- Safe management and ultimately the safe removal of any high priority risks identified will be prioritised.
- Procedures and measures will reflect the requirements of current legislation and regulations.
- In partnership with other public sector agencies, LDC and EBC will explore shared learning with the aim of reduce our costs, sharing opportunities to streamline the inspections and testing regime, and to develop best practice.

- Contractors will be monitored to ensure that their performance targets are being met in relation to the Councils' inspection and testing regime.

Property Maintenance Policy

- Maintenance spend will be focused on planned rather than reactive works.
- Energy saving works will be included in replacement programmes where it is cost effective to do so.
- Operational buildings will be maintained to a Good (Grade B) standard.
- Essential statutory maintenance will be undertaken correctly and by competent contractors
- PFSS will engage with service managers through provision of appropriate and timely information to help them comply with all current policies, strategies and management procedures for health and safety including associated compliance.
- Predictable risks will be identified and managed for the H&S of occupants and visitors.

- 3.6 When acquiring property, market opportunities are frequently presented by commercial agents on a time-limited basis. As a result, there is limited ability for the Council to scope best fees relating to external property agents and also for external legal fees. In order to ensure compliance with Council Contract Procedure Rules and allow the Council the flexibility to move quickly to secure acquisitions, this report recommends that authority to be delegated to the Director of Regeneration and Planning, in consultation with the Cabinet Member for Finance, to agree waivers in respect of agents and legal fees relating to acquisitions.

4 Asset Challenge

- 4.1 A key part of the AMP is the Asset Challenge process whereby officers will stress-test existing assets considering income generation, and costs of the assets to the Council. Decisions will then need to be made regarding retention, disposal, investment, or transfer of assets.
- 4.2 Importantly, whilst disposal and realising capital receipts is part of efficient property management, Asset Challenge is not solely a disposals programme. Whilst inevitably there will likely be some assets identified for disposal as they no longer meet the needs of the Council and its communities, all elements that will help achieve a sustainable asset base will be considered, such as regeneration opportunities, opportunities for increased yield, and reduced maintenance and financial liabilities for retained properties. Key to the process is recognition of the Council's unique role as custodian for its communities and ensuring all assets that are retained have strong social, cultural, environmental and economic benefits and clearly contribute to increasing social value.

5 Purpose of the Strategic Property Board (SPB)

- 5.1 SPB has operated in EBC for a number of years and has proved extremely useful for officers in allowing early engagement with Members on property-related matters. This has enabled officers to gain a directional steer and make

decisions in a transparent and co-ordinated manner outside of the normal Cabinet cycle process in line with delegated authority and the Council's Constitution

- 5.2 LDC's implementation of an SPB will play a key part in the AMP strategy moving forward, providing the property governance mechanism for the Council. SPB will monitor progress against AMP objectives to ensure that LDC is achieving the aspirations of the Council Plan as well as consider estate management and strategic property matters. Terms of reference for the Board are set out in Appendix 3. Subject to Cabinet agreement, the membership will include Councillor Giles as Chair, Councillor Smith and Councillor Osborne. Council will be informed of appointments to the Board on 17 July.
- 5.3 SPB is not designed to replace the Cabinet decision-making process and there will still be the need to bring reports to Cabinet for approval. It is however, an additional means of giving Members input to property matters and testing out early thinking on property proposals.

6.0 Consultation and approval

- 6.1 As the AMP is a joint property document across LDC and EBC, it will need to be formally agreed by each Council's Cabinet. EBC's Cabinet are due to consider adoption of the Plan on 12 July 2017. Subject to adoption by both Cabinets, the Plan will then be published and adopted.

7.0 Financial Appraisal

The implementation of a Strategic Property Board has no direct financial implications. A key purpose of the Corporate Asset Management Plan is to support the achievement of the savings target within the Medium Term Finance Strategy, by reducing the cost of operational property and improving yields from the commercial investment property portfolio.

8.0 Legal Implications

There are no legal implications arising directly out of this report (21 April 2017 Ref: 006238-JOINT-MR).

9.0 Risk Management Implications

The proposals outlined in this report are not significant in terms of risk. No new risks will arise whether or not the recommendations are implemented or rejected.

10.0 Equality Screening

An Equality Analysis (attached at Appendix 2) has been undertaken regarding the adoption of the AMP as outlined in this report, and has not identified any negative impacts for any of the protected characteristics.

Background Papers

None

Appendices

Appendix 1a	Corporate Asset Management Plan 2017-2020
Appendix 1b	Corporate Asset Management Plan 2017-2020: Appendices
Appendix 2	Equality Analysis (Adoption of the Corporate Asset Management Plan 2017-2020)
Appendix 3	Strategic Property Board: Terms of Reference