

DRAFT REPORT TO CABINET

ASSET MANAGEMENT STRATEGY 2015/16 to 2017/2018

Submitted by: Executive Director (Regeneration and Development)

Portfolios: Planning and Assets; Economic Development, Business, Town Centres and Customer Services and; Finance and Resources

Ward(s) affected: All wards within the Borough

Purpose of the Report

To seek Cabinet approval for the Asset Management Strategy (2015/16 to 2017/2018).

Recommendation

- (a) That Members approve the Asset Management Strategy (2015/16 – 2017/ 2018).**
- (b) That Officers take the necessary steps to explore the development potential of the sites listed in Appendices 2 and 3 at the earliest opportunity.**
- (c) That Officers report back the outcome of recommendation (b) to Cabinet at the earliest appropriate time.**

Reasons

The Strategy is a key document, which along with the Council's Capital Strategy and Medium Term Financial Strategy, forms the basis of the Council's Use of Resources.

1. Background

- 1.1 The Council's Capital Strategy and Asset Management Strategy are key documents evidencing the Council's approach to its Use of Resources. This Strategy provides a clear framework for understanding the value and condition of property owned by the Council so that, in turn, investment decisions can be taken to optimise the use of the said land/property to meet the needs of the Borough's residents, businesses and visitors. This Strategy along with the Council's Capital Strategy seeks to demonstrate alignment with, and delivery of, the Council's ambitions as set out in the Council Plan.
- 1.2 As an important evolution in the overall process of reviewing capital expenditure the Cabinet agreed at a meeting in October 2014 the principle that the Council, as a first resort, would seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for disposal.
- 1.3 In November 2014 Cabinet approved a list of Council owned sites (see Appendix 4 of the Strategy) to be submitted to the Local Planning Authority following its request for sites through the "Call for Sites" which has the potential to satisfy demand for future housing, employment and other needs such as recreation and leisure.
- 1.4 A joint Finance Resources and Partnerships Scrutiny Committee and Economic Development and Enterprise Overview and Scrutiny Committee reviewed the Strategy on 16th December 2014.

2. **Issues**

- 2.1 This Asset Management Strategy seeks to provide a robust and formal approach to the management and use of the Council's land and property assets. The Strategy explains the types of property we own and the rationale for so doing. It also summarises the potential ways in which investment can be funded highlighting the manner in which the Council invests in both its operational and commercial portfolios to meet the Council Plan's objectives. The Strategy also explains the structures/systems relating to management and decision-making.
- 2.2 Furthermore, it identifies the importance of maintaining and repairing the Council's property portfolio and it contains a summary of the cost of works required as a result of a stock condition survey.
- 2.3 As indicated above in October 2014 the Cabinet established an important overarching principle linking the function and purpose of this Strategy with the Council's Capital Programme and that it should be funded as a first resort from the receipts derived from disposal of land that is no longer required to meet strategic and/or operational needs.
- 2.4 The strategy sets out in Appendix 1 a list of sites, which Cabinet has approved for disposal previously, (with an update on the current position) in order to assist the planning of capital programme expenditure. Appendix 2 set out further sites for which approval is being sought to explore alternative uses or development and Appendix 3 lists sites which the draft Playing Pitch Strategy has identified as being surplus to operational requirements and approval is being sought to explore options for alternative use or development of these sites too.
- 2.5 It is estimated (subject to the granting of planning permission, there being no significant abnormal costs and to the sites selling at open market value) that the capital receipts likely to be generated in respect of the sites identified in Appendices 1-3 is approximately £16m. For the sake of clarity approval is being sought at this meeting for Officers to explore the potential for alternative use or development of the sites in Appendices 2 and 3 only (the sites in Appendix 1 having been approved previously).
- 2.5 At Appendix 4 a list of sites is included for information purposes that Cabinet has agreed to submit in response to the local planning authority's Call for Sites. In due course the local planning authority will consider the appropriateness of the Council's land alongside third party land, for alternative use or development. This assessment will be criterion-based and seek to identify a wide range of land uses such as housing, employment, open space and so on. No new decision is required in this regard but it is highlighted for the reason of clarifying the point that the Town Planning processes are considered to be best placed to determine the merits or otherwise of future land uses (taking account of relevant strategies, evidence, etc.).

3. **Options Considered**

3.1 **Option 1 – Do nothing**

If the Council did not prepare an Asset Management Strategy and Plan it would not be possible to either manage assets dynamically or demonstrate the rationale for investment; thereby exposing the Council to criticism that it had a weak approach to the management and use of its physical resources.

If capital receipts are not generated through the disposal of assets or there is a delay in this happening, this will mean that it will be necessary to either abandon, or postpone investment in the capital programme or to find an alternative source of funding, most likely to be borrowing.

3.2 Option 2 – Prepare Asset Management Strategy / Plan

The preparation of a Strategy enables the Council to establish some key principles about managing assets both strategically and dynamically in the context of Council Plan priorities. Having an Asset Management Plan provides a clear programme to optimise property investment in the context of the Strategy.

The capital receipts generated from the disposal of the assets set out in Appendices 1, 2 and 3 in the Strategy (subject to the granting of planning permission, there being no significant abnormal costs and to the sites selling at open market value) will fund the future Capital Programme.

4. **Proposal**

4.1 Option 2 is proposed.

4.2 That Members approve the Asset Management Strategy 2015/16 to 2017/2018 subject to any substantive comments being received from the joint Finance Resources and Partnerships Scrutiny Committee and Economic Development and Enterprise Overview and Scrutiny Committee.

5. **Reasons for Preferred Solution**

5.1 This strategy embodies current Government thinking in respect of asset management and enables the Council to demonstrate the prudent use of its physical resources.

5.2 The capital receipts generated from the disposal of the assets set out in in the Strategy (subject to the granting of planning permission, there being no significant abnormal costs and to the sites selling at open market value) will fund the future Capital Programme.

6. **Outcomes Linked to Corporate Priorities**

6.1 The Asset Management Strategy enables achievement of priority outcomes in all four of the Council's corporate priorities.

7. **Legal and Statutory Implications**

The Council has a duty, both fiduciary and operationally to utilise its Assets for the benefit of the Community.

Local Government Act 1972 – Section 123 - the Council has a duty to achieve best consideration for its assets

Local Government Act 2000 - powers to promote the economic, social and environmental wellbeing of the Borough

8. **Equality Impact Assessment**

8.1 Planned investment in the Council's operational portfolio will achieve compliance with the Disability Discrimination Act 2005.

9. **Financial and Resource Implications**

9.1 These are set out in the document in terms of planned investment in the operational portfolio and possible capital receipts through the disposal of land and property.

9.2 The capital receipts generated from the disposal of the assets set out in Appendices 1, 2 and 3 in the Strategy (subject to planning permission, there being no significant abnormal costs and to the sites selling at open market value) is estimated to exceed £16m and will therefore fund the Capital Programme requirement for the next 3 financial years.

10. **Major Risks**

10.1 That failure to prepare an Asset Management Strategy and Plan will adversely affect the Council's ability to demonstrate optimum use of its physical resources (assets).

10.2 A major risk is if land is not approved for disposal or if land approved for disposal is not sold or there is a significant delay in so-doing. In particular there has to be sufficient market demand at the time of marketing and there may be a shortfall against the Council's valuation. There may be some situations where the grant of planning permission is either not secured or that there are significant costs arising from the imposition of conditions. Additionally the necessary legal and administrative processes must be completed by both parties and this can sometimes cause delays.

10.3 In the event that insufficient capital receipts are generated as they are needed or there is a delay in this happening, this will mean that it would be necessary to either abandon, or postpone investment or to find an alternative source of funding, most likely to be borrowing.

10.4 If projects included in the capital investment programme are not carried out a number of other risks may arise, depending on which projects are concerned

- Service continuity suffers or service may not be able to be provided at all
- Customers, staff and the general public are exposed to unacceptable health and safety risks, e.g. from unsafe buildings and structures;
- The Council fails to fulfil its statutory responsibilities;
- The Council fails to meet its legal obligations, e.g. with regard to property leases;
- Income is lost because commercial properties become unlettable or cannot obtain acceptable rentals.

11. **Key Decision Information**

11.1 The report is referred to in the Forward Plan.

12. **List of Appendices**

Asset Management Strategy/Plan

13. **Background Papers**

Various reports and guidance documents from Government and the Audit Commission relating to Asset Management.