

 Executive 31 August 2017		Agenda Item No. 6
Title	Corporate Asset Management Strategy – Update Report	
For further information about this report please contact	Bill Hunt Deputy Chief Executive bill.hunt@warwickdc.gov.uk 01926 456014	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	5/4/17 Executive, Minute number 123	
Background Papers	Corporate Property Repair and Planned Maintenance programme 2017/18, Executive 5/4/17; Multi-storey car park survey report – update, Executive 29/6/16; Council HQ Relocation and replacement of Covent Garden car park project Parts A & B, Executive & Council 20/4/16; Review of Council’s non-operational assets Parts A & B, Executive 3/9/15; Asset’s Review Update report, Executive 12/2/14; Asset’s Review, Executive 11/12/13; Feasibility study of Leamington assets, Executive 30/5/12	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes, 641
Equality Impact Assessment Undertaken	No
Not applicable – no policies being approved	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		Bill Hunt - author
Head of Service		n/a
CMT	8/8/17	Chris Elliott, Andrew Jones, Bill Hunt
Section 151 Officer	14/8/17	Mike Snow
Monitoring Officer	8/8/17	Andrew Jones
Finance	8/8/17	Jenny Clayton
Portfolio Holder(s)	14/8/17	Cllr Mobbs, Cllr. Butler, Cllr. Whiting

Consultation & Community Engagement	
N/A	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. **Summary**

- 1.1 The Council's Medium Term Financial Strategy (MTFS) was considered in detail as part of the Fit for the Future Update report approved by Executive in June 2017 with a further update being provided in the Budget Review report elsewhere on this agenda. When considering the MTFS the Council's s151 Officer always stresses that there are a number of financial liabilities that are not fully funded in the medium term, including the maintenance and improvement of corporate assets.
- 1.2 The Council has made significant strides towards the creation and adoption of an integrated and funded corporate asset management strategy to address this issue and this report provides the latest progress update.
- 1.3 It is intended that a final report, presenting a strategy for approval, will be brought to Executive in February 2018 as part of the budget setting process.

2. **Recommendations**

- 2.1 That Executive notes the contents of this report and the progress made in developing a corporate asset management strategy.
- 2.2 That Executive approves the Asset Management Plan for 2017/18, as set out in Appendix One.
- 2.3 That Executive notes that from 2018/19 an annual Asset Management Plan will be presented to members for approval, replacing and incorporating the current annual Corporate Property Repair and Planned Maintenance programme report.
- 2.4 That Executive approves the release of a maximum of £40,000 from the Capital Investment Reserve to allow the engagement of a partner to develop a tailored programme of disposals and acquisitions that reconfigures the Council's non-operational asset base, generates additional revenue returns for the General Fund and enables the Council to ensure its assets liabilities are fully funded in the medium term.
- 2.5 That, subject to approval of recommendation 2.4, Executive delegates authority to the Deputy Chief Executive (BH), Interim Asset Manager and Business Manager – Projects, in consultation with the Business and Finance Portfolio Holders, to procure a partner for the proposed work, in compliance with the Code of Procurement Practice.
- 2.6 That Executive notes that, subject to the approval of recommendations 2.4 and 2.5, a Corporate Asset Management Strategy Property will be presented to the February 2018 meeting for approval.

3. **Reasons for the Recommendations**

- 3.1 Officers have been working on the development of a Corporate Asset Management Strategy for all the assets owned by the Council other than those held in the Housing Revenue Account (HRA) for a number of years. This will set out the Council's strategic approach to the consideration of the alternative uses, future improvements and the funding of all maintenance liabilities for the corporate asset base, issues that are dealt with in respect of the HRA assets through the HRA Business Plan.

- 3.2 The corporate assets which the strategy will cover can be categorised as:
- Operational assets – required to deliver the services that the Council provides to the public, e.g. HQ offices, Leisure Centres, Art Gallery & Museum, Spa Centre, Jubilee House, Edmonscote Track, Crematorium and cemeteries etc.
 - Car Parks – multi-storey and surface car parks, which are separated from the other operational assets above due to the relationship between car park charge income and car park maintenance
 - Non-operational assets – the buildings and structures owned by the Council that are held for community benefit or income generation e.g. offices, shops, club buildings and other community facilities, public conveniences, memorials etc.
 - Land assets – Parks, gardens, open spaces, sustainable drainage schemes and other parcels of land held in the General Fund
- 3.3 Since an initial Asset’s Review in 2012 a range of initiatives have been developed to improve and enhance the corporate asset base including the:
- HQ relocation project
 - Creative Quarter project
 - Leisure Development programme
 - St. Mary’s Lands strategic programme
 - Town Hall alternative use project
 - Pump Room Gardens ‘Parks for People’ improvement scheme
 - Development of the Enterprise Assets, including the creation of 26HT
 - Multi-storey car park improvement programme, including Linen Street and Covent Garden re-provision
 - Projects to support the delivery of the new Local Plan, including the Europa Way project and the relocation of sports clubs to enable the Thickthorn housing development schemes
 - Security enhancements to open spaces
 - Spa Centre improvement scheme
 - Pump Rooms and Museum/Art Gallery foyer improvement scheme
 - Crematorium improvement project
- 3.4 These initiatives have addressed, or begun to explore, many of the issues affecting the operational, land and car park assets including how the future maintenance liabilities of high cost assets such as the HQ building, Covent Garden multi-storey car park, St. Nicholas & Newbold Comyn Leisure Centres can be funded. Whilst not all of these initiatives have been completed and the issues relating to one category of asset, the non-operational properties, have yet to be fully explored, significant progress has been made towards the development of a fully funded and integrated corporate asset management strategy.
- 3.5 The current year’s programme of activity in respect of the corporate assets is set out in the 2017/18 Asset Management Plan, attached as **Appendix One**. All the works included within this Plan are fully funded. In future it is proposed that an annual report setting out the Asset Management Plan for the corporate assets for the forthcoming financial year is brought to the March Executive, incorporating but replacing the current Corporate Property Repair and Planned Maintenance programme report.
- 3.6 It is now proposed to engage an external partner to explore the issues relating to the non-operational asset base, focussing initially on the properties listed at **Appendix Two**. A number of other Council’s have developed programmes to utilise this category of asset to deliver an enhanced revenue stream and officers

believe that the development of a programme of disposals and acquisitions within this category of assets could be used to minimise future (non-funded) asset maintenance liabilities and generate additional revenue returns to support the asset management strategy across all 4 categories of the corporate asset base. However, the Council lacks the internal expertise and detailed understanding of the commercial property market within the district to undertake this work and its private sector partner within the Limited Liability Partnership, Public Sector Plc, whilst potentially possessing the expertise is fully committed to delivery of the HQ Relocation Project and lacks the capacity to do so in the short to medium term.

- 3.7 Soft market testing has identified that it should be feasible to secure the proposed work for a maximum cost of £30-40,000. The proposal to release funding of this level will allow a fully compliant procurement exercise to be undertaken under delegated authority. Completion of this exercise and the establishment of actual costs will allow any non-required funding to be returned to the Capital Investment Reserve.
- 3.8 The appointment of an external partner to undertake the proposed work will allow the final element of the staged approach towards the development of the corporate asset management strategy to be completed. A final, fully integrated strategy, complete with proposals for the future funding of all known liabilities would then be brought to the February 2018 Executive so that it can be considered in conjunction with the 2018/19 Budget report.

4. Policy Framework

- 4.1 A sound financial strategy is critical to the ability of the Council to function effectively. The Council therefore produces an annual budget and a 5 year, rolling, Medium Term Financial Strategy (MTFS). The MTFS is one of the 'bedrocks' of the Council's policy framework and the basis used for planning the approach to many of its activities. However, the maintenance liabilities of the corporate assets, unlike the HRA assets, are currently unfunded in the medium term. The completion and future adoption of a Corporate Asset Management Strategy will address that issue.
- 4.2 The Council's Fit for the Future (FFF) Strategy is designed to deliver the Council's Vision for the district: to make it a Great Place to Live, Work and Visit. The FFF Strategy has three strands – People, Services and Money, and each of these has an external and internal element to it. The Corporate Asset Management Strategy and the recommendations within this report directly support all three elements of FFF, as shown in the table below:

FFF Strategy		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes</u> <ul style="list-style-type: none"> Improved health for all Housing needs met for all 	<u>Intended outcomes</u> <ul style="list-style-type: none"> Area has well looked after public spaces All communities have access to decent 	<u>Intended outcomes</u> <ul style="list-style-type: none"> Dynamic and diverse local economy Vibrant town centres Improved

<ul style="list-style-type: none"> • Impressive cultural and sports activities • Cohesive and active communities 	<ul style="list-style-type: none"> • open space • Improved air quality • Low levels of crime and anti-social behaviour 	<ul style="list-style-type: none"> • performance and productivity of local economy • Increased employment and income levels
<p><u>Impacts of this report</u></p> <ul style="list-style-type: none"> • The Asset Management Plan details the investment being made in the district's leisure centres, swimming pools and athletics track. • The Asset Management Strategy will address the funding and future investment strategy in this category of operational property asset. 	<p><u>Impacts of this report</u></p> <ul style="list-style-type: none"> • The Asset Management Plan details the investment being made in the district's parks and open spaces. • The Asset Management Strategy will address the funding and future investment in these facilities in this category of asset. 	<p><u>Impacts of this report</u></p> <ul style="list-style-type: none"> • The Asset Management Plan details the investment being made in some of the Council's existing non-operational and enterprise assets that are let to local businesses to support the local economy. • The recommendation to explore a reconfiguration of the Council's non-operational asset base would allow a focus on commercial activities that can promote economic activity
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<p><u>Intended outcomes</u></p> <ul style="list-style-type: none"> • All staff are properly trained • All staff have the appropriate tools • All staff are engaged, empowered and supported • The right people are in the right job with the right skills and the right behaviours 	<p><u>Intended outcomes</u></p> <ul style="list-style-type: none"> • Focusing on our customers' needs • Continuously improving our services • Increasing the digital provision of services 	<p><u>Intended outcomes</u></p> <ul style="list-style-type: none"> • Better return/use of our assets • Full cost accounting • Continued robust approach to cost management • Maximising income earning opportunities • Seeking best value for money
<p><u>Impacts of this report</u></p> <ul style="list-style-type: none"> • The recommendation to explore the reconfiguration of the Council's non-operational asset base will offer the opportunity for some staff to become more familiar with commercial 	<p><u>Impacts of this report</u></p> <ul style="list-style-type: none"> • The recommendation to explore the reconfiguration of the Council's non-operational asset base is underpinned by the desire to move to a commercially based approach to the future 	<p><u>Impacts of this report</u></p> <ul style="list-style-type: none"> • The Asset Management Plan, the future Asset Management Strategy and the recommendation to explore the reconfiguration of the Council's non-operational asset

<p>assessments of property based schemes and asset management so helping the Council's aim of becoming more enterprising.</p>	<p>management of this category of asset, designed to deliver additional revenue to help the Council to maintain or improve its services.</p>	<p>base proposal directly support this strand.</p> <ul style="list-style-type: none"> All are aimed at ensuring the Council makes effective use of its corporate assets, gets the best possible value for money returns from them and assesses options to generate additional revenue.
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5. **Budgetary Framework**

- 5.1 There is currently an uncommitted balance of £1.076m in the Capital Investment Reserve. If the recommendation to fund the engagement of a partner to develop a strategy for reconfiguring the non-operational property asset base, this will leave an uncommitted balance of £1,036m.

6 **Risks**

- 6.1 There is a risk that the Council fails to maximise potential opportunities that exist from the adoption of a more rigorous and commercial approach to the management of its corporate assets. This can be mitigated by the adoption of an integrated Corporate Asset Management Strategy.
- 6.2 There is a risk that the Council's MTFs does not properly address all future financial liabilities and this exposes the Council to the risk of having to take action that could impact of the quality or breadth of services that it delivers. The development of the Corporate Asset Management Strategy will mitigate this risk and the proposal to explore how additional revenue can be generated and/or how potential future financial liabilities can be reduced by reconfiguring the non-operational asset base will assist the development of a comprehensive Strategy.

7 **Alternative Option(s) Considered**

- 7.1 As can be seen from paragraph 3.3 a considerable amount of work has gone into the development of a comprehensive asset management strategy. Members could decide not to pursue the recommended approach of exploring how the Council's non-operational property base could be reconfigured but this has been discounted as it would detract from the ambition of having a strategy that encompasses all elements of the corporate asset base.
- 7.2 Members could choose not to receive and approve an annual Asset Management Plan but this is not recommended as the intention of producing one is to ensure that members are aware of the totality of the work being undertaken in relation to the corporate assets and for this knowledge to inform future decision making.