

 Executive 13 November 2019		Agenda Item No. <h1 style="text-align: center;">14</h1>
Report Title		Asset Management Strategy
For further information about this report please contact		Steven Partner Assets Manager Steve.partner@warwickdc.gov.uk 01926 456048
Service Area		Chief Executive's Office (Assets Team)
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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		TBC
Background Papers		Asset valuation reports provided as part of the annual accounts. Working papers and budget information as relevant

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 – ref 641
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive	07/10/19	Bill Hunt
CMT	09/10/19	
Monitoring Officer	09/10/19	Andrew Jones
Heads of Service	09/10/19	Robert Hoof, Rose Winship, Dave Barber, Lisa Barker
Section 151 Officer	09/10/19	Mike Snow
Portfolio Holder(s)	14/10/19	Cllr Jan Matecki
Consultation & Community Engagement		
n/a		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 This report proposes an Asset Management Strategy for the Council's varied asset portfolio and an Action Plan covering the period 2019-2023.
- 1.2 The proposed Strategy will allow Members to ensure that the Council is managing its property and land assets in a way that provides value for money and which supports the delivery of the Council's Corporate Objectives.

2. **RECOMMENDATIONS**

- 2.1 That Executive approves the Asset Management Strategy, attached at Appendix One and the 2019-2023 Action Plan attached at Appendix Two.
- 2.2 That Executive notes that the Asset Management Strategy will apply to all Council owned properties and land.
- 2.3 That, subject to approval of recommendation 2.1, Executive agrees that the initial priority for assessments of General Fund assets will be all assets in Classes 3, 4 and 5 and buildings only within Class 2 and for Housing Revenue Account (HRA) assets will be shops and non-domestic buildings within Class 1.
- 2.4 That, subject to approval of recommendation 2.3, Executive notes that decisions relating to HRA assets will be reported as a future revision to the HRA Business Plan
- 2.5 That, subject to approval of recommendation 2.3, temporary leases and licences for assets within the Adelaide Bridge area will be extended by 12 months to allow the proposed assessment process to be completed.

3. **REASONS FOR THE RECOMMENDATIONS**

- 3.1 The Asset Management Strategy, attached as **Appendix One**, sets out the principles of active asset management that will be applied to ensure that the Council's existing assets are used effectively to support the achievement of the authority's strategic objectives and policy commitments, including its response to the declaration of a climate emergency. The Strategy not only encompasses the review of existing assets including providing a means to assess options, including disposal for under-performing assets or those which no longer support corporate objectives or delivery of high quality services, but also acts as a tool to assess the suitability and desirability of the acquisition of new assets, as part of a Commercial Strategy.
- 3.2 The strategic approach to asset management needs to promote effective resource management that delivers both the service requirements and the Council's investment and development agenda within budget and, where possible, generates additional income. It has to provide for and anticipate the future needs of asset users through the pursuit and development of innovative and flexible service delivery models, robust data collection and usage, effective use of technology; and the enterprising pursuit of external resources and assessment of asset development opportunities, including inward investment and collaborative working with all sectors. All of this must be delivered under a robust and secure data handling regime.

- 3.3 The Council has a varied property portfolio held within both the Housing Revenue Account (HRA) and the General Fund. Regardless of how the asset is accounted for each separate asset can be classified as follows:
- Class 1: Operational
Assets held to support service delivery including the HQ offices, Spa Centre, Town Hall, Art Gallery & Museum, Leisure Centres, Crematorium and open cemeteries, HRA homes, hostels and garages
 - Class 2: Community
Assets held for the benefit of the community including parks, play areas, woodland, open spaces, closed cemeteries, sports pitches and pavilions, monuments, heritage and cultural assets and land holdings used for sustainable urban drainage schemes (SUDS).
 - Class 3: Economic
Assets held to support local and regional economic development objectives and to promote business start-ups and growth
 - Class 4: Commercial
Assets let on a commercial basis and expected to make an appropriate rate of return including HRA and General Fund shops and lettings such as the Library at the Royal Pump Rooms
 - Class 5: Investment
Assets held for disposal, development or alternative use
- 3.4 The proposed Strategy sets out how the Council will manage its property estate. It contains the vision, objectives and priorities, and evaluation tools and measures that will be deployed to ensure that the asset portfolio owned by the Council is fit for purpose, with the right assets to support corporate outcomes, if necessary through disposals of existing assets or acquisitions of new ones.
- 3.5 An initial Action Plan, covering the period 2019-2023, is attached at **Appendix Two** and sets out prioritised actions to take forward the Strategy. This will be reviewed annually by the Assets Steering Group, in consultation with the Portfolio Holder and over the lifetime of the Action Plan all existing assets will be assessed using one of the two assessment tools contained within the strategy (these vary depending on whether the asset is managed within the HRA or General Fund). This will ensure that every asset is categorised on a 1-6 rating as per the table in section 6 of the attached Strategy.
- 3.6 The purpose of the six categories is to allow for a tailored approach to be developed for each asset, concentrating initially on the poorer performing assets, to inform decisions on investment, future use or disposal. Using a range of information held for each asset, those placed in Category 1 will require the least intervention over the life of the Action Plan, with those in Category 5 are likely to need the most urgent intervention and options appraisal. (Assets in Category 6 are those which are generally not of a commercial or service plan linked nature but nevertheless must be retained by the Council, for example SUDS schemes, pumping stations or electricity sub-stations).
- 3.7 This approach will allow the Council to deal with those assets most in need of interventions at an early stage.
- 3.8 A key factor in the categorisation assessment will be the consideration of the energy efficiency and carbon footprint of an asset and how it can contribute to

meeting the Council’s response to the climate emergency. Outcomes will be weighted towards solutions that contribute most effectively closely to the Council’s climate emergency policy.

- 3.9 The Action Plan proposes that all General Fund assets will be assessed over the 4-year period, with initial emphasis on the assets set out in recommendation 2.3. For HRA assets the initial emphasis will be on shops and other non-domestic buildings excluding garages. Its is not intended to apply the assessment tool to every individual HRA home or garage but to use it to inform future investment priorities at a property type, estate or garage site area.
- 3.10 The proposed approach will include a full assessment of the properties let to community organisations within the Adelaide Bridge area. A number of organisations within this area have ambitious plans to expand their operations for the benefit of the local community and the proposed approach will allow the Council to assess how best to support these aspirations. To allow sufficient time for a comprehensive assessment to be completed it is proposed that existing temporary leases are extended until March 2021.

4. **POLICY FRAMEWORK**

4.1 The corporate Asset Management Strategy contributes to the Budgetary Framework for the Council and is aligned to Fit for the Future (see below). It will guide and control how the Council utilises its assets and provides a tool kit to assess our current use of assets and to assess the potential use of any new acquisitions.

4.2 **Fit for the Future (FFF)**

4.2.1 The Council’s FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council’s key Projects.

4.2.2 The FFF Strategy has 3 strands – People, Services and Money and each has external and internal elements to it. A key output of the Fit for the Future programme is ensuring that the Council achieves the required savings to enable it to set a balanced General Fund Budget whilst maintaining service provision and the proposals in this report meet that requirement. The table below illustrates the impact of this proposal, if any in relation to the Council’s FFF Strategy.

FFF Strands		
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 for all met • Impressive cultural and 	<u>Intended outcomes:</u> <ul style="list-style-type: none"> • Capable of being adapted to meet the Council’s Carbon Neutral targets 	<u>Intended outcomes:</u> <ul style="list-style-type: none"> • Dynamic and diverse economy • Vibrant town centres

<ul style="list-style-type: none"> sports activities • Cohesive and active communities • Exploration of community asset transfer opportunities • Accessible to the local community • Supports integrated service delivery options with partners across all sectors • Opportunity for Council to provide additional social and low cost housing. • Ensure that community facilities are provided to meet assessed needs 	<ul style="list-style-type: none"> • Asset portfolio actively managed to meet changing needs and shapes of services • Area has well looked after public spaces • All communities have access to decent open space • Improved air quality • Low levels of crime and ASB • To make the District carbon neutral by 2050 • Opportunity to develop assets that are well and properly maintained based on individual assessments • Opportunity to develop assets that contribute to the Climate Change agenda 	<ul style="list-style-type: none"> • Improved performance and productivity of local economy • Increased employment and income levels • Aligned to strategic opportunities to stimulate growth and regeneration • Sub-regional partnership working • Engagement with private sector • Provision of assets that contribute towards growth and employment in the district.
Impacts of Proposal		
<ul style="list-style-type: none"> • Ensures corporate properties are suitable for users, meeting their needs. 	<ul style="list-style-type: none"> • Budgets set to ensure open spaces are maintained to a high standard and the buildings used by the public are safe and that carbon emissions are minimised. 	<ul style="list-style-type: none"> • Corporate properties are maintained to ensure that they can be used in ways that support the District is a place where people will want to live, work and visit.
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> <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 right behaviours • Asset management planning included in Service Area Plan formulation • Customer surveys and feedback 	<u>Intended outcomes:</u> <ul style="list-style-type: none"> • Focusing on our customers' needs • Continuously improve our processes • Increase the digital provision of services • Ensures we provide 'the right asset, in the right place, at the right time' • Regular stock condition surveys • Planned maintenance programmes • Adoption of design standards • Cost effective 	<u>Intended outcomes:</u> <ul style="list-style-type: none"> • Investment is planned • Innovative financing arrangements are explored • Maintenance needs are affordable • Best use of assets • Full cost accounting • Rigorous cost management • Income opportunities are maximised • Running costs are minimised • Business planning to support investment decisions • Improved service planning.

4.3	<ul style="list-style-type: none"> • Partner engagement • Aligned with ICT deployment • Exploration of joint service delivery or co-location options • Adopting flexible working practices and delivering cultural change • Opportunity for employees to work in an agile and effective environment 	<ul style="list-style-type: none"> • Procurement • Benchmarking • Monitoring and adopting best practice • Marketing strategies • Adopting revised space standards for corporate HQ • Timely disposals of surplus or redundant stock • Opportunity to provide high quality services based on assets that meet specific demands 	
	Impacts of Proposal		
	<ul style="list-style-type: none"> • That budgets provide the necessary resources to achieve these outcomes 	<ul style="list-style-type: none"> • Enables needs to be met, and support improvement of services relating to Council Corporate Properties. 	<ul style="list-style-type: none"> • Ensures property assets remain suitable to meet service provision and the overall strategy of the Council.

Supporting strategies

4.3.1 Each strand of the FFF Strategy has several supporting strategies. The proposed allocations directly support the maintenance and improvement of the Council’s corporate assets that form part of the cultural offer available to residents and visitors in support of the Council’s Vision of Warwick District being a great place to live, work and visit.

4.4 Changes to Existing Policies

4.4.1 The report does not propose any changes to existing Council policies but provides a new framework for evaluation existing and future assets.

5. BUDGETARY FRAMEWORK

5.1 The Asset Management Strategy is a toolkit to enable active management of our assets and actions arising will be referenced to specific capital and revenue budget streams as part of options appraisals and action plans. In addition to a provision within the General Fund Revenue Budget, investment in assets through the Planned and Preventative Maintenance (PPM) programme has been supported through the Corporate Assets Reserve. However, this is a finite resource and, unless added to, is likely to be fully used within the life of the Action Plan. The assessment process described at paragraph 3.8 will inform future decisions on this reserve which, pending any further calls on it during the current financial year, has an unallocated balance of £1,087,522.

5.2 Ownership and control of individual assets rests with a number of service areas and income and running costs are reflected in the Councils annual budget for the respective area. However, the budget for responsive, cyclical and planned and preventative maintenance works (PPM) for General Fund assets is pooled and held by the Assets Team within the Chief Executive’s Office. This team also

manages the responsive repair and investment programme budgets for HRA properties. Effective management of these budgets is central to the Council's budget management approach.

6. RISKS

- 6.1 The Strategy is itself a means of risk mitigation for the Council in that it allows for risks to be evaluated and mitigated through the toolkit and subsequent options appraisals.
- 6.2 The risk of not adopting the proposed Strategy is that the corporate assets may fall into disrepair and may no longer be fit for purpose potentially increasing the Council's exposure to risk and impacting on value for money.
- 6.3 There is also a risk that the investment needs identified both through this strategy and the PPM programme may not be affordable within the Medium Term Financial Strategy.
- 6.4 Options around asset disposal also have the risk that the market may not be there for disposal of the Council's surplus assets or that disposal valuations may not represent value for money for the Council.
- 6.5 Assets which are either Listed Buildings or are based in a Conservation area may also constrain options available and increase costs.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 Corporate assets could be managed on an ad-hoc basis with no overriding principles to guide investment, retention and disposals. However, this would run the risk that assets may not support the Council's service delivery or wider corporate objectives or drive decisions on future investment, disposals and acquisitions
- 7.2 Members could choose to recommend that only work covered by the recurring base budget should be undertaken, and to not seek to invest, acquire, divest or adapt corporate assets to meet changing service needs. However, officers consider that it would be prudent to manage our assets in a coordinated and structured way so that we can meet service needs and corporate projects going forwards.