



## CABINET

Monday 8 July 2019

### ASSET MANAGEMENT STRATEGY

#### EXECUTIVE SUMMARY

1. An Asset Management Strategy has been prepared for the management of East Suffolk Council's (ESC) non-residential property portfolio. This strategy aims to guide Officer and Councillor decision making over the next four years in relation to day to day management, acquisitions and disposals and commercial investment.
2. The Asset Management Strategy aims to align the non-residential property portfolio with the East Suffolk Business Plan to help manage community assets such as playgrounds, to maintain operational property, invest in areas for economic growth and to set parameters for commercial investment to assist with financial self-sufficiency.
3. This paper seeks to recommend the implementation of the Asset Management Strategy for the period 2019-2023.

Is the report Open or Exempt?	Open
Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	N/a

<b>Wards Affected:</b>	All wards
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<b>Cabinet Member:</b>	Cllr Craig Rivett – Deputy Leader and Cabinet Member with responsibility for Economic Development
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<b>Supporting Officer:</b>	Kathryn Hurlock Asset & Investment Manager 01502 523351 Kathryn.Hurlock@Eastsuffolk.gov.uk
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## **1 INTRODUCTION**

- 1.1 A strategy has been prepared for the management of East Suffolk Council's (ESC's) non-residential property portfolio.
- 1.2 An asset strategy is used to describe the general direction that the asset portfolio will take over the next four years, the approach to be adopted to achieving objectives and the policies that will be applied to decision making.
- 1.3 It is proposed to adopt the Asset Management Strategy at **Appendix 1** to ensure there is a process to manage the existing portfolio and to make community asset, operational and investment decisions over the next four years.

## **2 BACKGROUND**

- 2.1 The last Asset Management Strategy was adopted in 2007 and set out the strategy for the period 2007 – 2012. This plan has therefore lapsed and there is a requirement from a strategic perspective to put a new and effective strategy in place. In addition, the environment in which ESC operates has changed considerably since the previous plan. The new plan therefore aims to reflect the objectives of the new ESC.

## **3 ASSET PORTFOLIO**

- 3.1 The asset portfolio comprises non-residential, mixed use property. The assets within the portfolio are owned or occupied by ESC for operational purposes, for community reasons or as financial investments. A list of assets owned by ESC is shown at **Appendix 2**.
- 3.2 The Asset Management Team are responsible for the management of the portfolio and aim to ensure assets are fit for the business purpose for which they are procured and held, and that they are managed optimally in terms of their capital/revenue cost and return to the business. The aim of the strategy is to help guide decisions relating to the management of the portfolio over the plan period.
- 3.3 This plan will provide a decision-making framework for staff, external stakeholders and customers giving information about the direction of change for the property portfolio.

## **4 THE STRATEGY**

- 4.1 The Asset Management Strategy at **Appendix 1** outlines the way in which the portfolio can be managed effectively, cost efficiently and also whilst delivering operational objectives. The document aims to link the property strategy to the existing East Suffolk Business Plan with the key themes of Enabling Communities, Economic Growth and Financial Self-Sufficiency running throughout the document.
- 4.2 The strategy is broken down into four key components:
  - a) Administrative Improvements
  - b) Compliance & Sustainability
  - c) A Strategic Approach to Assets
  - d) Reducing Expenditure and Increasing Income
- 4.3 The section outlining the "Strategic Approach to Assets" breaks down the portfolio into three sub-portfolios which aims to differentiate the reason as to why the Council own and maintain specific assets. These three categories are:
  - 1. Operational Properties

## 2. Community Assets

## 3. Investment Properties

- 4.4 The strategy outlines a number of performance criteria on which to base decisions relating to assets within these three categories as properties are not always analysed on a financial basis.

## 5 COMMERCIAL INVESTMENT

- 5.1 The strategy document makes reference to the Medium Term Financial Strategy and the budget gap identified in the three years from 2019/20 to 2022/23. Whilst there is no specific means by which the Council has identified ways to reduce the projected deficit, a potential option to help reduce the gap is through commercial investment.
- 5.2 The Capital Strategy 2019/20 – 2022/23 provides a high-level overview of capital financing and expenditure and this report confirms the Council has a £5m budget allocated for commercial investments. In addition, in recognition of the continued shortfall in local government funding and commitments made in the East Suffolk Business Plan (2015-23), the Council adopted a draft Commercial Investment Strategy (CIS) in September 2017 with a view to achieving a step change increase in commercial investment and trading by the Council.
- 5.3 The CIS was developed into a business case advocating a wide ranging commercial investment and trading delivery approach, including the creation of a local authority trading company (LATCO). Adopted in February 2019, and due to be progressively phased in during 2019/20, it is a mixed delivery approach covering the following activities:

### *In-House*

- Commercial Property Investment
- Commercial Property Development

### *LATCO*

- Residential Property Investment
- Residential Property Development
- Property Management Services
- Construction Services (initially Roofing and Scaffolding)
- Leisure Services (e.g. Holiday Lets and Beach Huts).

- 5.4 The Asset Management Strategy therefore addresses the in-house functions for investment decisions relating to commercial property investment and commercial property development. The principle for commercial investment is to build a balanced, low-medium risk portfolio with an emphasis on long term income.
- 5.5 The strategy document recommends all investment decisions to be made through a central property group known as the Asset Management Group (AMG); this group would be made up of Heads of Service and Terms of Reference are shown within the Asset Management Strategy appendices. Following approval from the AMG, approvals would be sought from Cabinet for the purchase and disposal of assets.

## 6 ACQUISITIONS & DISPOSALS

- 6.1 The methodology for acquisitions and disposals is detailed within the appendices of the Asset Management Strategy at **Appendix 1**. The aim of these two documents is to assist the purchase and sale of land and property, particularly where there is input from other departments. The Asset Management team are a service provided to Housing, Economic

Development & Regeneration and other departments. There are therefore instances where properties are purchased or sold and these two documents aims to outline the procedure and ensure best value for ESC.

## **7 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 7.1 The East Suffolk Business Plan sets out a three-pronged strategy to Enable Communities; promoting Economic Growth and becoming Financially Self Sufficient.
- 7.2 These values set out within the East Suffolk Business Plan are clearly identified within the Asset Management Strategy through the division of the portfolio into categories. The management of property assets throughout the plan period aim to hold land and property for the benefit of local communities – these being parks, playgrounds and other areas of open space. In addition, the Strategy aims to improve commercial investments within the property portfolio to held address the deficit and work towards financial self-sufficiency.

## **8 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 8.1 The implementation of the Asset Management Strategy seeks to reduce maintenance costs, improve rental incomes and to make a positive impact on the efficiency of the management of the non-residential property portfolio. Through the implementation of this strategy, the Asset Management will have clear direction for decisions relating to assets and the KPI's will enable monitoring of progress throughout the plan period.

## **9 OTHER KEY ISSUES**

- 9.1 This report has been prepared having taken into account the results of an Equality Impact Assessment (Ref: EQIA123838289).
- 9.2 There are no other key issues arising from this report.

## **10 CONSULTATION**

- 10.1 Consultation undertaken to date has been through the Commercial Investment Strategy (CIS) which was developed with professional support from Trowers & Hamlins on legal matters and Grant Thornton on financial matters. Following the adoption of the CIS in February 2019 the parameters for in house commercial investment have been detailed within the Asset Management Strategy.

## **11 OTHER OPTIONS CONSIDERED**

- 11.1 There are no other options considered with respect to a Council requirement for a Asset Management Strategy.

## **12 REASON FOR RECOMMENDATION**

- 12.1 The adoption of an Asset Management Strategy will enable the Asset Management Team to provide effective day to day management of the non-residential asset portfolio.
- 12.2 The Asset Management Strategy sets out a framework for decision making at officer and Councillor level for all property decisions within the plan period.

**RECOMMENDATIONS**

That Cabinet approves the implementation of the Asset Management Strategy for the plan period 2019-2023.

**APPENDICES**

<b>Appendix A</b>	Asset & Investment Strategy
<b>Appendix B</b>	List of Assets Within the Freehold Ownership of East Suffolk Council

**BACKGROUND PAPERS – None.**