



SCRUTINY COMMITTEE

Thursday 23 July 2020

REVIEW OF THE ASSET MANAGEMENT STRATEGY 2019/23

EXECUTIVE SUMMARY

1. A year after implementation, the Committee are invited to review progress against the Asset Management Strategy 2019/23.

Is the report Open or Exempt?	Open
Wards Affected:	All
Cabinet Member:	Councillor Craig Rivett – Deputy Leader and Cabinet Member with responsibility for Economic Development
Supporting Officer:	Kathryn Hurlock Asset and Investment Manager 01502 523351 kathryn.hurlock@eastssuffolk.gov.uk

1 INTRODUCTION

- 1.1 The recommendation to implement The Asset Management Strategy 2019-23 ("The Strategy") was approved by Cabinet dated 8 July 2019.
- 1.2 This report sets out work undertaken by Asset Management in line with The Strategy for the purpose of review by The Shadow Authority Scrutiny Committee. This report provides an update on The Strategy and specifically addresses the following:
 - a) Policies for the purchase and construction of new assets
 - b) Investment in existing assets
 - c) Transferring assets to other organisations
 - d) Disposal of surplus assets

2 DELIVERY PLAN

- 2.1 Following the implementation of the Asset Management Strategy in July 2019, work has been undertaken to follow the proposals within the document and to assess progress against the Key Performance Indicators. This delivery plan outlines each objective within The Strategy and sets an 'owner', percentage of completion and provides a timescale for delivery.
- 2.2 The targets set within The Strategy are reviewed at each Asset Management team meeting held on an eight-weekly basis and the KPIs are reviewed in accordance with the targets set. The agenda for the Asset Management team meeting follows the order of The Strategy to ensure objectives on a strategic level are aligned on a day to day basis.

3 ADMINISTRATIVE IMPROVEMENTS

- 3.1 The strategy sets out various improvements to the administration of the portfolio and the team managing the assets.

Capacity

- 3.2 As a continued commitment to staff training and recruitment, since the implementation of The Strategy, the department has recruited one additional RICS qualified surveyor to assist with the Estates Team's day to day management work. The team now comprises five qualified general practice surveyors, three qualified building surveyors and four trainees. In addition to professional expertise we have invested in management training and in 2019/20 the Asset & Investment Manager, Building Services Manager and Estates Manager have all completed ESC "Setting the Standard" training.

Property Data & Management Information

- 3.3 The Strategy outlined the work undertaken by Asset Management to collate asset data within Uniform, a programme utilised by several ESC departments to store, manage and sort data.
- 3.4 As at 9 July 2020 it is confirmed that 1438 assets are recorded within the Uniform system. The asset data has been correlated with the Asset Register, held by the Finance Department. A data validation process has been undertaken to ensure that the data held is a complete and accurate property register. Work is now being completed by Finance to issue the 2020 published Asset Register. In accordance with The Strategy's Key

Performance Indicators the following data is held on Uniform for each asset within the General Fund Asset Register:

1. Address
2. Asset Number
3. Unique Property Reference Number (UPRN)
4. Tenant (if applicable)
5. Current Rent

3.5 Uniform provides a single corporate resource for managing assets as this system is utilised by Planning, Building Services and Coastal Protection.

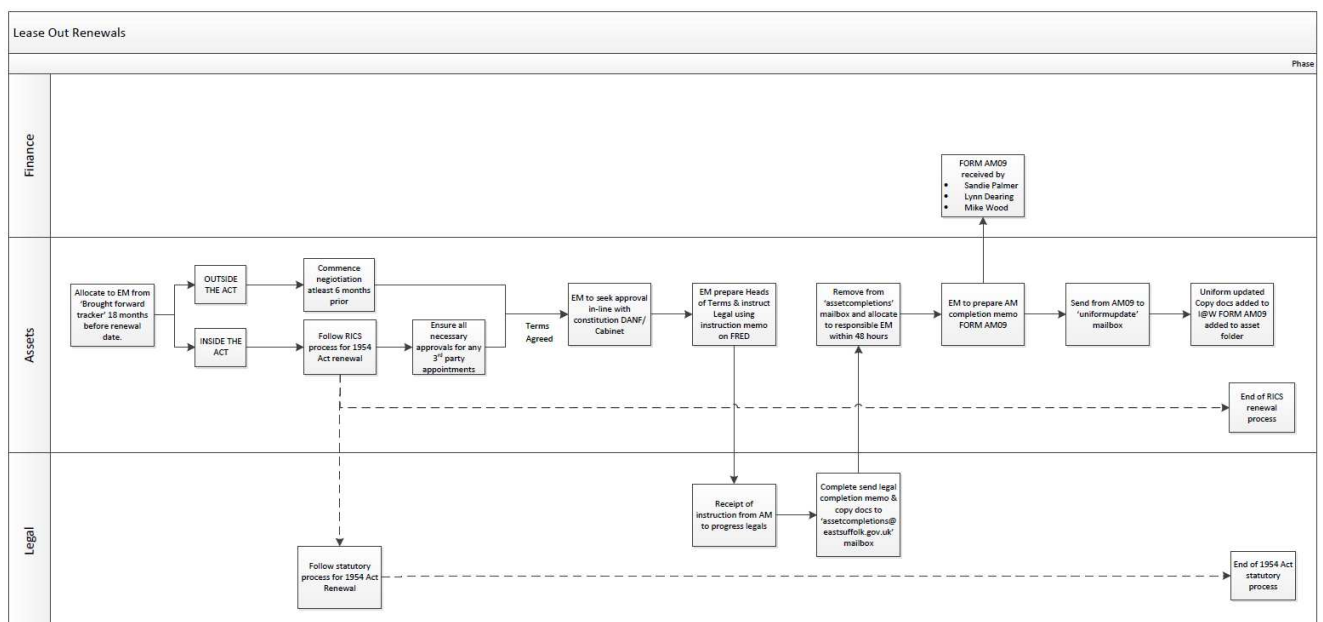
3.6 It is intended that Uniform will support the continuous management and maintenance of the property asset base using alerts and reminders for tasks such as rent reviews, break clauses etc. However, this level of configuration of the system has not yet been put in place. Project meetings between Asset Management and ICT are held monthly to ensure the configuration of the system continues to move forward. A project plan is being worked up to put timescales against project tasks to develop the system further.

3.7 The long-term aim of this system is to hold sufficient data to be able to run reports relating to the assets which will enable Officers and Members to make key decisions about asset performance.

3.8 Alongside the Estates module of the system, the Asset Management Team is working together with ICT to develop the Building Services module to record all compliance and statutory information within Uniform.

Processes & Procedures

3.9 Following the implementation of The Strategy, work was carried out to “map” the existing processes and procedures carried out within the department. This included the processes for freehold disposals, lettings, lease renewals and terminations. An example of one of these process maps is shown below:



3.10 The next stage in line with The Strategy is to input these processes into Uniform so some functions can be automated. This should improve the consistency of reporting and

standardisation of wording within template documents sent to tenants, purchasers, vendors and members of the public.

- 3.11 The Strategy also addresses the process for receiving external enquiries and considers how this may be streamlined. In order that we decrease the number of telephone enquiries, we have added information about the department and the portfolio to the Asset Management external web page (<https://www.eastsuffolk.gov.uk/contact-us/asset-management/>). Work has been undertaken to highlight the most common enquiries to the department. These are:

- Land Ownership
- Metal detecting, particularly on beaches
- Flying drones on ESC land
- Reports of encroachment
- Seafront concessions
- Requests for skips or compounds on ESC land

Work is currently being undertaken to provide electronic processes to register these enquiries. E-forms will be used to register land or encroachment enquiries with some requests for permitted activities to use automated processes.

A link to GIS mapping of ESC's assets can be found on the external website. However, work is being undertaken to improve the accessibility of this link.

4 COMPLIANCE AND SUSTAINABILITY

- 4.1 The strategy sets out improvements to the compliance and sustainability performance of the portfolio.

Health & Safety

- 4.2 In order that the ESC general fund property portfolio is compliant with legislation, it is necessary that all assets have completed risk assessments. Following the implementation of The Strategy, a new inspection regime has been adopted.

The Building Services Team within Asset Management has commenced a full programme of risk assessments to be undertaken across the portfolio in line with The Strategy. This commenced in March 2020 and assets have been categorised into three risk categories. Category one contains 403 assets and are perceived to have high public footfall and therefore a higher risk; the assessment of Category one assets is aimed to be completed by March 2021. This work will form the inspection cycles for each asset and will significantly improve information held about assets, particularly where maintenance is required.

Third Party Management of Assets

- 4.3 ESC's portfolio of assets includes sites that are directly managed by third parties. Since the implementation of The Strategy work has been undertaken to review the contracts. Regular meetings are in place with the relevant organisations to ensure financial and legal transparency.

EPCs

- 4.4 The Strategy highlights a requirement for ESC to not only meet environmental legislation relating to the energy performance of assets, but to exceed the standard. Work has been undertaken to ensure all assets that require an EPC have been assessed. 100% of required properties in the former WDC district hold assessments within the portfolio.

Work is being undertaken in association with Norse to assess the EPCs for assets within the former SCDC district. Of the assessments undertaken on properties, only one property had an EPC below the standard set within The Strategy. As a result of this assessment and following a full property review, a proposal was taken to Cabinet for its redevelopment.

5 STRATEGIC APPROACH TO ASSETS

5.1 As part of the population of asset data onto Uniform during 2019/20, significant work has been undertaken to classify assets into asset classes in line with the CIPFA coding system.

5.2 The purpose of classification is to eliminate uncertainty about the use, ensure adequate compliance with statutory obligations and determine its benefit to ESC from an operation, community, or investment perspective.

5.3 Operational Property

5.4 The Strategy seeks to define operational assets in order that we continue to hold land and property for the correct purpose. Further work is required by Asset Management in order that we can analyse the performance of the operational section of the portfolio. Work is currently ongoing to review assets within this category as a direct result of Covid-19 and the potential to adapt to new ways of working. This is due to be complete by Q3 2020.

Community Benefit

5.5 The Strategy seeks to define assets that perform a community function in order that we continue to hold assets for the correct purpose. Further work is required by Asset Management in order that we can analyse the performance of assets held for community benefit or for regeneration purposes.

5.6 In line with The Strategy, work has commenced by Asset Management to analyse properties that are put forward for development or purchase for regeneration purposes. A joint piece of work has been undertaken to set criteria against which properties are assessed for regeneration purposes. This is entirely separate to investment purchases.

Investment Property

5.7 The Strategy seeks to define investment assets in order that we continue to hold assets for the correct purpose. Further work is required by Asset Management in order that we can analyse the performance of investments and offset the financial cost of holding operational or community assets.

5.8 The Strategy clearly sets out the types of commercial investment for purchase or retention and how these should be managed to optimise income and minimise holding costs. Data is being collated for input onto Uniform to enable us to analyse the properties we currently hold for investment purposes.

6 INVESTMENT IN ASSETS

Required Maintenance

6.1 Required maintenance is the process by which we optimise repairs to assets to ensure we protect its condition, value, and use. The Strategy outlines an aim to move to a cyclical maintenance programme and to ensure all assets have up to date condition surveys in order that repairs can be correctly programmed. In accordance with The Strategy we have a planned maintenance programme to ensure we continue to invest in the assets we already own.

Capital Projects

- 6.2 As part of the continued investment into the assets already within the portfolio, the Asset Management Team have several “capital projects” being undertaken. These projects include redevelopment, significant upgrades or in some cases demolition and rebuilding. Investment into our assets through capital projects ensures the long-term use of properties in line with ESC’s objectives.

7 POLICIES FOR THE PURCHASE AND CONSTRUCTION OF NEW ASSETS

Acquisitions

- 7.1 The Strategy sets out a comprehensive process for the acquisition of assets at Appendix 4 of the main document. The process outlines the general principles for acquisition, the process including due diligence, appraisals and valuation, additional considerations such as the acquisition of assets using grant funding and finally a review of the process. The acquisition process includes a Land & Property Purchase Checklist which aims to ensure all information about a property is obtained and recorded correctly through acquisition.
- 7.2 Since the implementation of The Strategy we have acquired / received approval from Cabinet to acquire the following assets:
- NWES buildings at Leiston & Lowestoft
 - Deben International School, Felixstowe
- 7.3 The Strategy does not set out policies for the construction of new assets as these are assessed on a case by case basis and are brought to Cabinet for approval accordingly.

8 TRANSFERRING ASSETS TO OTHER ORGANISATIONS

Community Asset Transfers

- 8.1 The Strategy confirms that disposals of property to community groups (“community asset transfers”) are acceptable if there is, on balance, an advantage to the Council’s policy objectives in doing so and there is a genuine business case from the community group to do so. The procedure for Community Asset Transfers is detailed within the Disposal Policy appended to The Strategy document at Appendix 5. Since the implementation of The Strategy we have entered into discussions with two town councils to divest assets for community use. In addition we have completed the transfer of the following properties:
- Allenby Park, Felixstowe to Felixstowe Town Council
 - Ferry Road / Gosford Way Park to Felixstowe Town Council
 - Land at Dobbs Drift Play Area to Kesgrave Town Council
 - Land at Holly Road Play Area to Kesgrave Town Council

9 DISPOSAL OF SURPLUS ASSETS

Disposals

- 9.1 The Strategy sets out a comprehensive process for the disposal of assets as an appendix to the main document. This process outlines the general principles for disposal. It also lists the disposal process including the site identification, discussion at the Asset Management Group, internal notifications, due diligence, valuation, building surveys and the formation of a business case to Cabinet. The process addresses open space and community asset transfers. A checklist is provided to ensure it is undertaken correctly and in accordance with The Strategy. Since the implementation of The Strategy we have acquired / received approval from Cabinet to dispose of the following assets:

- Land at 28 Haughley Close, Rushmere St Andrew
- Land adjacent to 41 Wackerfield Road, Rendlesham
- 3 Squires Walk, Lowestoft

Surplus Properties

- 9.2 The Strategy aims to define surplus assets to categorise properties which are not used for operational, investment or community purposes. Following the implementation of The Strategy, work is ongoing to determine on an asset by asset basis whether these should be let, sold, re-developed or divested. To date we have identified 12 surplus buildings to be sold and a further 134 areas of land considered to be surplus for disposal.

Vacant Property Strategy

- 9.3 At any point in time the Council will own and manage several vacant properties, land, and buildings, which are not in operational use or leased out to third parties. Asset Management has a focused approach to managing these properties with a view to disposing, leasing, or reusing as many assets as possible and aiming to keep vacancy rates to a minimum. The most significant costs in holding vacant property are business rates or council tax, security and building maintenance.
- 9.4 A procedure is in place to manage vacant property and work is currently being undertaken by Asset Management to determine a strategy for each asset that is vacant.

10 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

- 10.1 The values set out within the East Suffolk Business Plan are clearly identified within the Asset Management Strategy through the division of the portfolio into aligned asset classes. The management of property assets throughout the plan period aim to hold land and property for the benefit of local communities – these being park, playgrounds and other areas of open space. In addition, the Strategy aims to improve commercial investments within the property portfolio to help address the deficit and work towards financial self-sufficiency.

11 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 11.1 The Strategy recognises the need for the Council to balance its books in an increasingly challenging local government funding environment. The strategy acknowledges the need to find ever more innovative ways to achieve cost savings and increase revenue, in order to bridge the funding gap created by the reduction in the Central Government grant. It is anticipated however that it will be through a mixture of cost saving and revenue

generating initiatives and it is expected that the Asset Management Strategy will play a key role in achieving this objective.

12 CONCLUSION

- 12.1 The Asset Management Strategy has provided a framework for the Asset Management Team to work against to assess, manage and improve ESC's property portfolio. The document is referenced through Asset Management team meetings on an eight-weekly basis with performance monitored against the KPI's set out within The Strategy.

13 REASON FOR RECOMMENDATION

- 13.1 We are recommending the Asset Strategy is reviewed in line with the progress already achieved since its implementation in July 2019.

RECOMMENDATION

That, a year after implementation and having reviewed progress against the Asset Management Strategy 2019/23, the Committee receives, comments upon and makes recommendation, if considered necessary

BACKGROUND PAPERS

Date	Type	Available From
8 July 2019	Cabinet report ES/0061	www.eastsuffolk.gov.uk