

Cheltenham Borough Council
Cabinet – 14 April 2015
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Asset Management Plan and Capital Strategy Update

Accountable member	Cllr John Rawson, Cabinet Member for Finance
Accountable officer	Mark Sheldon, Director of Resources
Ward(s) affected	All
Key/Significant Decision	Yes
Executive summary	<p>The Council's current Asset Management Plan expires in 2015. The Cabinet Member and officers have been preparing a new plan for some time but have deferred its consideration by the Cabinet and Council because of a fluid set of circumstances which impact upon it, including the Accommodation Strategy and the Cheltenham Transport Plan.</p> <p>The Council also invited CIPFA to review our approach to Asset Management which has helped shape future thinking about our approach including the role of members in making decisions and reviewing the performance of the property portfolio.</p> <p>This report now seeks to establish broad policies for managing the Council's assets and to make provisional allocations of the receipt from the sale of North Place and Portland Street car parks. It also proposes a Planned Maintenance Programme for 2015/16.</p>
Recommendations	<p>Cabinet resolves:</p> <ol style="list-style-type: none"> 1. To approve the Asset Management Policy (forming part of the Asset Management Plan) at Appendix 2. 2. To approve the revised Terms of Reference for the Asset Management Working Group at Appendix 3. <p>Cabinet recommends that Council:</p> <ol style="list-style-type: none"> 3. Approve the Planned Maintenance Programme for 2015/16 at Appendix 5. 4. Approves the provisional allocation of the receipt of North Place / Portland Street car parks to support key property investment aspirations at Appendix 4.

Financial implications	<p>As outlined in the report and appendices. A 10 year financial projection of the funding requirement for the AMP and PMP will be developed for approval as part of the budget setting process for 2016/17.</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>It is essential to have a clear and robust Asset Management Plan in place, in order for decision makers to have regard to such plan when exercising decision making powers.</p> <p>Reference to such plan would be made in the event that a decision by the Authority is challenged.</p> <p>Contact officer: Rose Gemmell , rose.gemmell@teWKesbury.gov.uk, 01684 272014</p>
HR implications (including learning and organisational development)	<p>The HR implications of the AMP have yet to be determined. The resourcing implications are assessed by project managers for individual projects which are considered by SLT quarterly and taken on board in developing the Council's annual corporate plan. There may be a need for additional resource to support property services which will be assessed over the next few months and considered as part of the financial outturn in July 2015.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>See Appendix 1</p>
Corporate and community plan Implications	<p>The capital investment proposals for investment have been assessed against the outcomes in the corporate plan.</p>
Environmental and climate change implications	<p>The environmental and climate change implications of the potential capital investment proposals for investment have been assessed. A number of them have the potential to make a positive contribution to the environment or climate change.</p>
Property/Asset Implications	<p>As outlined in the report and appendices</p> <p>Contact officer: David Roberts, david.roberts@cheltenham.gov.uk 01242 264151</p>

1. Background

- 1.1** The Council's current Asset Management Plan (AMP) expires in 2015. This plan included the Asset Management Policy; a description of the decision making process; terms of reference for the Asset Management Working Group (AMWG) and a schedule of the council's assets detailing the work streams associated with them over the course of the plan. The Cabinet Member and officers have been preparing a new plan for some time and have deferred its consideration by the Cabinet and Council as a result of a fluid set of circumstances around particular projects.
- 1.2** In reviewing the AMP, officers have reviewed the following:
- Council's Asset Management Policy.
 - Methodology for considering requests for investment (including assessment criteria).
 - Scoring mechanism and the decision making process for investment decisions.
 - Corporate Landlord Role of Property Services.
 - Building Manager responsibilities for council officers / partner organisations.
 - Property service levels and standards.
 - Property performance indicators.
 - Transparency requirements.
 - Approach to the development of the 10 year planned maintenance and equipment replacement programme.

This information will be published to officers in the form of Property Management Guidelines published on the Council's intranet. It will be used to support a new Building Managers Liaison Group which will bring together officers from across the Council and its partner organisations e.g. the Cheltenham Trust who, as leaseholder, have 'day to day' responsibilities for the management of certain council properties.

- 1.3** In tandem, the Council has been progressing the accommodation strategy but has, so far, been unable to conclude a deal for the acquisition of an alternative office location. This in turn has meant that the amount of pump priming funding required could not be finalised. Similarly, the trial of the Transport Plan which will ultimately determine whether and to what extent the Council invests in public realm at Boots Corner has been delayed resulting in uncertainty over the nature of the scheme requiring funding.
- 1.4** Despite this uncertainty, the Council is taking an opportunity to indicate broad direction of travel with its investment aspirations for its property portfolio.

2. CIPFA Review

- 2.1** In developing the AMP, the Cabinet Member and officers invited CIPFA to review the Council's approach to the management of its asset portfolio. This involved a review of the draft AMP and consideration of the decision making processes.
- 2.2** One of the key recommendations of the review was that the Council, rather than adopting a 'traditional' AMP, should consider approving an Asset Management Policy that sets out broad policies and principles, supplemented by an Asset Management Strategy that sets out the overall strategic direction for the property portfolio and provides 'more life, direction and purpose'. As a

first step towards implementing this approach, an updated Asset Management Policy is attached at Appendix 2.

- 2.3** CIPFA noted the engagement of members in the Asset Management Working Group (AMWG) in considering property issues. They suggested this group could do more to challenge the portfolio and its performance and make recommendations in respect of strategic direction for the Council assets. This is a helpful steer and consequently the terms of reference for the AMWG have been revised to reflect this suggestion at Appendix 3. These revised terms of reference are now recommended for the Council's approval. It is proposed that the AMWG will be consulted in the development of the Asset Management Strategy within the policy agreed by Council.
- 2.4** The CIPFA report and action plan will be shared with AMWG who will monitor the implementation of the actions arising from the review.

3. Capital receipts allocation

- 3.1** The Council received £7.8m from the sale of North Place / Portland Street car parks in January 2014 and, with further capital receipts, has a total of circa £8m available to finance capital investment. This is a 'once in a lifetime' opportunity to deliver some significant projects for Cheltenham which make a contribution to the local economy and the Council's Medium Term Financial Strategy (MTFS) funding gap.
- 3.2** In July 2014, as part of the financial outturn report, the Council published a list of potential projects which could be funded / part funded from this receipt which exceed the funding available.
- 3.3** Since then, work has been undertaken to refine the list, understand more fully the nature of the requests and evaluate the options against corporate plan and financial objectives. Some of the items better fit in the council's Planned Maintenance Programme (PMP) and have therefore been removed from the list and are now included in the PMP e.g. regular de-silting of Pittville Lake.
- 3.4** In addition, as part of the budget consultation process for 2015/16, the Council went out to consultation on some of the options. The consultation generated a good response from residents, the business community and specific interest groups e.g. the Civic Society. This was summarised in the budget report to Council in February 2015.
- 3.5** Having considered the options, the Cabinet is proposing taking this opportunity to set out its longer term aspirations for where property investment should be made. The allocation of this money may require further review including the development of business cases. In some cases the funding may not be required for a number of years, which provides the Council with an opportunity in the meantime to use the capital receipt to achieve the Council's corporate objectives.
- 3.6** The Cheltenham Trust submitted a revenue bid of £120k to fund the development of a number of key strategies which outline the 10 year vision for the development of the services and buildings now within the Trust. The strategies would support applications to major funding bodies e.g. the lottery or Arts Council. Further consideration of this is required and a source of financing has yet to be identified. Accordingly, it is proposed to defer a decision on support for this until the Council's financial outturn report in July 2015.

4. Planned Maintenance Programme

- 4.1** In approving the budget for 2015/16, the Council agreed to set aside £850k to support the planned maintenance programme (PMP) for 2015/16.
- 4.2** The PMP has been reviewed as part of the work to progress the AMP and a summary of the plan for 2015/16 is attached at Appendix 5 for approval. Work will continue to further update the PMP

to reflect recent condition surveys for the council property in order to arrive at a fully costed updated PMP for a 10 year period.

- 4.3** As part of this process, the Council is developing an equipment replacement programme to include the cyclical replacement of equipment required to deliver services. This will include not only services delivered directly by the Council, but those delivered by its partners e.g. Ubico and the Cheltenham Trust, where the Council is responsible for the replacement and funding of equipment. The programme will provide a comprehensive overview of future equipment needs and funding requirements over a 10 year period.

5. Reasons for recommendations

- 5.1** The Council needs to determine the policy and objectives from which it can develop a more detailed strategy for the use and management of its assets.

6. Alternative options considered

- 6.1** In reviewing the AMP, a number of options for use of the capital receipt from the sale of North Place and Portland Street car parks were considered including the potential to repay debt.

7. Consultation and feedback

- 7.1** Consultation has been undertaken with residents, the business community and specific interest groups e.g. the Civic Society. Internally the AMWG and Budget Scrutiny Working Group have also been consulted.

8. Performance management –monitoring and review

- 8.1** The AMWG will be used to monitor performance of the property portfolio.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Asset Management policy 3. Revised Terms of Reference for the AMWG 4. Cabinet’s key property investment aspirations 5. Planned Maintenance Programme for 2015/16
Background information	<ol style="list-style-type: none"> 1. Budget report to Council February 2015

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the council do not use the receipt from the sale of North Place and Portland Street car parks wisely, then it may not deliver a financial contribution to the MTFS	Mark Sheldon	11/3/15	4	3	12		Fully and objectively evaluate the financial implications of the options (including the development of business cases) for investment of the capital receipt.	31/3/2020	Mark Sheldon	
	If the council does not use the receipt from the sale of North Place and Portland Street car parks wisely, then it may not deliver the outcomes in the councils corporate plan	Mark Sheldon	11/3/15	4	3	12		Fully and objectively evaluate the options for investment of the capital receipt against the corporate plan outcomes.	31/3/2020	Mark Sheldon	

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close