

Cheltenham Borough Council
Cabinet – 29th March 2016
Council - 4th April 2016
Asset Management Plan 2016/17 – 2020/21

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 was due to expire in 2015.</p> <p>The Council invited the Chartered Institute of Public Finance and Accountancy (CIPFA) to review our approach to asset management in 2015 which resulted in a deferral of the production and approval of the replacement Asset Management Plan so that we could pick up on CIPFA's advice and suggestions. Instead the Council, at its meeting 31st March 2015, approved an updated Asset Management Policy and revised terms of reference for the Asset Management Working Group.</p> <p>Since then, the Council has been working on updating the Asset Management Plan, responding to the observations and suggestions made by CIPFA. The review has helped shape our approach to asset management including the potential to grow the Council's property investment portfolio to support the Medium Term Financial Strategy.</p> <p>Accordingly, the updated Asset Management Plan and supporting appendices provide a policy framework and operational parameters for management of the Council's assets for the period 2016/17 to 2020/21.</p>
Recommendations	<p>Cabinet resolves to:</p> <ol style="list-style-type: none"> 1. Approve the Asset Management Plan and supporting appendices A to K. <p>Cabinet recommends that Council:</p> <ol style="list-style-type: none"> 2. Approve the policies set out in the Asset Management Plan.

Financial implications	<p>As outlined in the report and appendices. Delivery of the work plan will support the delivery of the savings and income targets in the Medium Term Financial Strategy.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 264125</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. Reference to such plan would be made in the event that a decision by the Authority is challenged.</p> <p>The Council has a general duty to act prudently in managing its property portfolio, and must bear in mind the fact that property values may drop, ageing properties will require increasing maintenance, and that financial downturns may result in untenanted properties which still require upkeep. As landlords (whether residential or commercial) it will have duties towards its tenants and visitors to the properties to ensure that the properties are in a safe condition (whether or not the tenants contribute towards the upkeep of the properties).</p> <p>Although it is unlikely that any subsidy to a Third Sector tenant would exceed EU thresholds, the Council must also be alert to the possibility that attempting to influence the third sector organisation's service provision by making the subsidy subject to detailed conditions in respect of such provision, could lead to the interpretation in procurement terms that the third sector is, in fact, providing that service on behalf of the Council.</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 the delivery of the AMP and work plan over it's lifetime which will be assessed over the next few months and considered as part of the financial outturn in July 2016.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	See Appendix 1
Corporate and community plan Implications	<p>The capital investment proposals for investment will be 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 will be assessed in considering options.</p>

Property/Asset Implications	As outlined in the report and appendices. Contact officer: David Roberts, david.roberts @cheltenham.gov.uk 01242 264151
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1. Background

- 1.1** The Council's current Asset Management Plan (AMP) was last amended in 2010 and therefore requires updating.
- 1.2** The Council invited the Chartered Institute of Public Finance and Accountancy (CIPFA) to review our approach to asset management in 2015 which resulted in a deferral of the production and approval of the replacement Asset Management Plan in 2015. Instead the Council, at its meeting 31st March 2015, approved an updated Asset Management Policy and revised terms of reference for the Asset Management Working Group (AMWG).
- 1.3** Since then, the Council has been working on updating the AMP responding to the observations and suggestions made by CIPFA. The review has helped shape our approach to asset management and also endorses officers' recommendations to grow the Council's investment property portfolio to support the Medium Term Financial Strategy (MTFS).
- 1.4** As a result, the AMP is now a higher level strategy document and much of the detail, required to support officers in undertaking their respective roles, has now been transferred into a Property Management Toolkit which will be published on the Council's intranet. This 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. Ubico and the Cheltenham Trust where, as leaseholders, they have day to day responsibilities for the management of certain council properties. The toolkit includes information on the role of property as Corporate Landlord; the building manager's role and responsibilities and Property Services delivery standards.

2. CIPFA Review

- 2.1** 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 or Work Plan that sets out the overall strategic direction for the property portfolio and provides 'more life, direction and purpose'.
- 2.2** CIPFA noted the engagement of members in the 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 management of the Council's assets. This was a helpful steer and consequently the terms of reference for the AMWG were revised to reflect this suggestion and agreed by the Council in March 2015. The terms of reference have now been revised to reflect the consideration of investment property proposals as outlined in section 5 below.
- 2.3** The CIPFA report will be considered by the AMWG who will monitor the actions arising from the review.

3. Capital Programme

- 3.1** As part of the budget setting process, the Council annually approves a Capital Programme.
- 3.2** The Council received £7.8m from the sale of North Place and Portland Street car parks in January 2014 and, with further capital receipts, had 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 MTFS.
- 3.3** 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 the North Place/Portland Street receipt. The total value of these projects significantly exceeded the funding available. Following consultation, the Council agreed the allocation of this receipt at its meeting on 30th March 2015.

- 3.4 A number of the projects approved in March 2015 are now progressing. However, in some cases the allocation of the money may require further review including the development of business cases. In these cases the funding may not be required for a number of years, which provides an opportunity in the meantime to use the capital receipt to achieve the Council's corporate objectives in other ways, e.g. through internal borrowing.

4. **Asset Management Plan – Work Plan**

- 4.1 In updating the AMP, a Work Plan has been developed which indicates the areas of activity which will be progressed over the life of the AMP. CIPFA suggested the use of logic maps which essentially map how asset management activity meets corporate outcomes. This approach has been adopted in the production of the Work Plan.

5. **Investment Property Portfolio**

- 5.1 The Council currently holds a number of properties for investment purpose i.e. where the income from leases provides a valuable income stream which supports the revenue budget and MTFS. For example, the lease on Regent Arcade which generates £575k per annum.
- 5.2 Recent major property acquisitions have been made at least partially with a view to generating income for the Council. Delta Place was acquired as an income-generating investment as well as a potential new home for the Council. The former Shopfitters site in St George's Place was acquired for its medium to long term development potential. There may be other opportunities of a similar kind in the years ahead.
- 5.3 One of the key observations in the CIPFA review was that 'In response to cuts in core government funding an increasing number of local authorities are strategically expanding and/or developing a property investment portfolio that will provide an ongoing income stream independent of government funding'.
- 5.4 During 2015, officers visited Eastleigh Borough Council which has actively been increasing the size of its investment property portfolio. This is now very substantial and making a massive contribution to their annual budget. This provided a helpful steer in considering investment property acquisitions.
- 5.5 Officers have discussed this issue with the Council's auditors, Grant Thornton, who shared examples of investment property activity from councils across the country. They have also provided the following advice on the powers which the Council can use to make decisions to acquire investment properties and some guidance to support decision making.

Legislative powers – The main acts empowering local authorities to commercialise to generate an income for public service are the **Local Government Act 2003** and the **Localism Act 2011**, in terms of a General Power of Competence (GPC). The DCLG has previously set out guidance in this regard, in terms of [security / liquidity / yield](#), in that order.

Guidance - The LGA too has issued [guidance](#) and developed a [microsite](#) setting out current and good practice, with case studies showcasing a variety of funding options and routes to market which may or may not require borrowing. Furthermore, the **Public Services (Social Value) Act 2012** also affords councils the power, and indeed responsibility, to consider wider public value aspects as a commissioner of products and services (e.g. living wage, local SME supplier and apprenticeships, environmental protection, etc.).

Social value - The Cabinet Office has also shared current and good practice with respect to social value, with case studies demonstrating why and how councils are striving to secure [multiple outcomes](#) for the same spend through responsible procurement. Councils' interpretation and implementation of these powers differ however, according to their particular local constitution, socio-economic factors, size and strength of balance sheet, risk appetite, capacity and previous experience of Alternative Delivery Models (ADMs). This in turn will impact on the specific legal, regulatory, tax and procurement ramifications for a council's asset management and commercialisation plans (e.g. VAT, OJEU, and State Aid).

5.6 In response to this guidance, the Cabinet Member for Finance and officers are proposing that the Council actively seeks to increase the size of its investment property portfolio to support the MTFS, using the process for decision making and parameters as set out in Appendix G of the AMP. This proposal is recommended for both Cabinet and Council approval.

6. Reasons for recommendations

6.1 The Council needs to agree an Asset Management Plan in order to ensure that property decisions support the delivery of the Council's corporate objectives and the allocation of resources.

7. Alternative options considered.

7.1 No alternatives considered.

8. Consultation and feedback

8.1 The Asset Management Working Group has been consulted.

9. Performance management – monitoring and review

9.1 The AMWG will be used to monitor performance of the property portfolio.

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Appendices	1. Risk Assessment 2. Asset Management Plan 2016/17 – 2020/21
Background information	1. Asset Management Plan update – Council 31 st March 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 does not agree an AMP, then it may not direct resources to deliver its corporate objectives.	Mark Sheldon	8/3/16	4	3	12		Approve the AMP and allocate staffing resources to support its implementation.	31/3/2021	David Roberts	
	If the Council does not increase the size of its investment property portfolio, it may lose the opportunity to make a financial contribution towards the MTFs.	Mark Sheldon	8/3/16	4	3	12		Approve the proposals and parameters for investment property decisions.	31/3/2021	David Roberts	
	If there is a recession then there is a risk that the rate of return and or income flow could be affected	Mark Sheldon	8/3/16	4	3	12		Manage the risk by being selective in the type and nature of the proposed acquisition.	31/3/2021	David Roberts	