

# Asset Management Strategy 2022/23 to 2026/27



CHELTENHAM  
BOROUGH COUNCIL

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# 1. Introduction

The Council's Asset Management Strategy outlines the principles and framework that will underpin our decisions to make the best use of the assets.

This is the first Council Asset Management Plan since 2016. Since that time, and in line with that Plan the Council and its partners have made significant progress in managing assets for the benefit of the borough, not least through the acquisition and continued progress towards delivery of the Golden Valley Development.

For many years we have demonstrated our ambition to be one of the leading Local Authorities for development, investment and asset management taking a proactive approach to driving the best from the resources available and in doing so contributing to our place based outcomes.

That said, much has changed since 2016, not least the Councils setting of key priorities in the 2019-2023 Corporate Plan and the declaration of a climate emergency in 2019 and the increased focus on the social value our assets provide to communities in the town. Using assets to improve the lives of residents of the town is arguably more important today than it was in 2016.

The Asset Management Plan forms part of a suite of documents that comprise the Councils investment and expenditure strategies, and governance and decision making arrangements. The overall context is best illustrated in Figure 1. In particular, the decision making process for acquiring or investing in land or property are underpinned by both this strategy and the Investment Strategy which is presented annually to Full Council for review.

**Figure 1: Cheltenham Borough Council investment and expenditure strategies, governance and decision making**

| Category        | Overall                                                            | Revenue                       | Capital                                   | Treasury Mgmt                           | Risk Mgmt                                  |
|-----------------|--------------------------------------------------------------------|-------------------------------|-------------------------------------------|-----------------------------------------|--------------------------------------------|
| Strategies      | Medium Term Financial Strategy                                     |                               |                                           |                                         |                                            |
|                 | Investment Vision and Principles                                   |                               |                                           |                                         |                                            |
|                 | Commercial Strategy                                                | Investment Strategy           | Capital Strategy                          | Treasury Management (TM) Strategy       | Risk Management                            |
|                 | Asset Management Strategy                                          |                               |                                           | Housing Investment Plan                 |                                            |
| Guidance        | CIPFA and Technical Guidance                                       | Budget Guidance               | Capital Guidelines                        | CIPFA Code for Practice for TM          | Risk Management Guidance                   |
| Plans           | MTFP Projection                                                    | Annual Budget                 | Capital Programme & Asset Management Plan | Treasury Policy Statements              | Risk Register                              |
| Governance      | Constitution and Annual Governance Statement                       | Quarterly Performance Reports |                                           | Prudential Indicators and Annual Report | Risk Register reporting and regular review |
|                 | Contract and Finance Procedure Rules                               |                               |                                           |                                         | Audit Committee and Cabinet Reports        |
|                 | Internal and External Audit Plans and our response to audit review |                               |                                           |                                         |                                            |
| Decision Making | Cabinet/Council                                                    |                               |                                           |                                         |                                            |



## **2. Our Vision and ambitions for recovery**

Covid-19 has tested Cheltenham's communities and economy over the last twelve months. As a Council, we have recognised in our Covid-19 Recovery Strategy and Medium Term Financial Plan that rebuilding the strength of our town will require innovation, ambition and a bold vision.

Our vision is grounded in the belief that Cheltenham should be a place in which everyone can thrive. In order that we can lead the economic recovery of our town, we will continue to use our assets for the benefit of our residents, businesses, staff and communities, stimulating a positive environment for inward investment in our place and people.

We recognise that in order to do this we need to work closely with our partners across the town as well as engaging with the One Public Estate programme which supports locally led partnerships of public sector bodies to collaborate around estate needs. The programme helps support the re-purpose of surplus public estate for housing, regeneration and other local uses.

Our Corporate Plan sets out five clear Corporate Priorities:

- 1. Making Cheltenham the Cyber Capital of the UK**
- 2. Revitalisation and improvement of the Town Centre and Public Spaces**
- 3. For the Council and the borough to be carbon net zero by 2030**
- 4. Increasing the supply of housing and investing to build resilient communities**
- 5. Delivering services to meet the needs of our residents and communities**

The Council's Covid-19 Recovery Plan re-emphasised and highlighted the importance of these key objectives. This Strategy takes a refreshed approach to future asset management decisions and the management of our portfolio which balances social value, sustainability, regeneration, commercial and housing needs at a strategic level to ensure a positive direction of travel to economic recovery continues.

The Council's assets and the way in which they are managed have the potential to both contribute to and detract from elements of these ambitions.

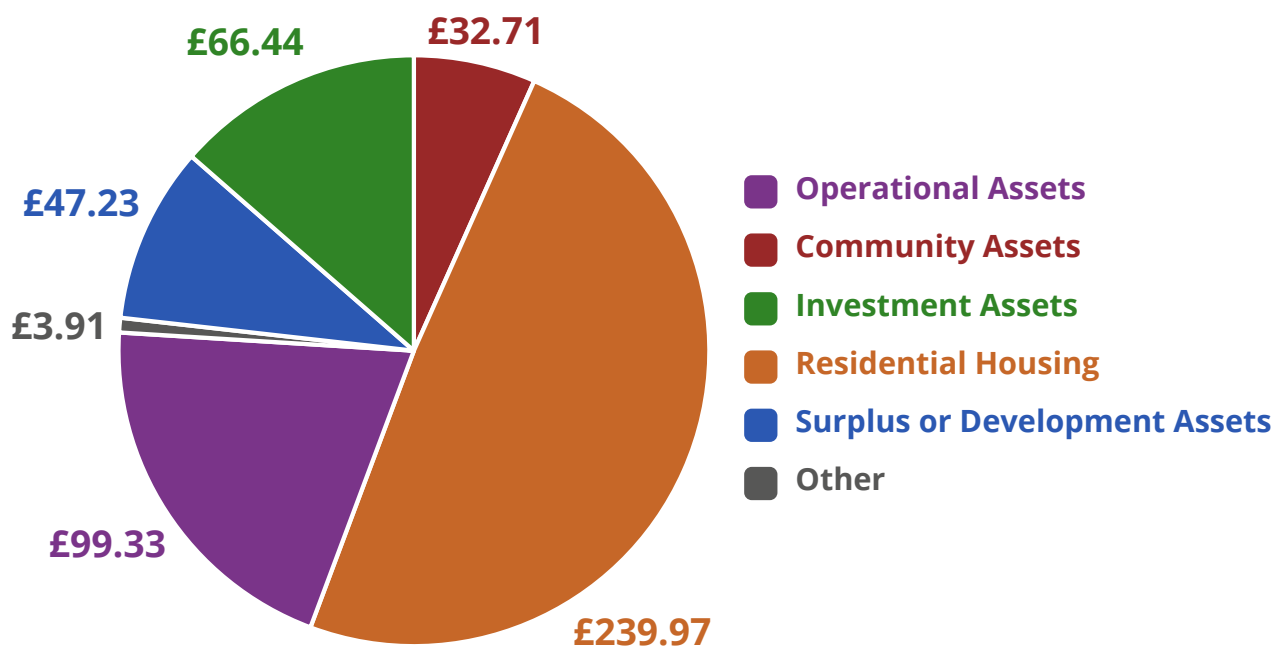
The purpose of this strategy is to:

- set out the approach we will take to review the strategic purpose of our asset portfolio and ensure we are allocating available resources to land and property which best help support our Corporate Plan and the wider vision and ambition for Cheltenham;
- establish a framework to monitor the continuous performance of our asset portfolio against our priorities test whether it remains fit for purpose and better plan for a future that looks through a broader sustainable lens; and
- outline the governance arrangements on which asset rationalisation, development, investment and construction decisions can be consistently based.

### 3. Our Land and Property

The Council's land and property portfolio was valued at £489.6m in the 2020/21 Statement of Accounts. The majority of the valuations were calculated on an existing use basis rather than the market value of the asset. The balance includes investment property but excludes infrastructure assets and vehicles, plant and equipment which is not considered as part of this Strategy. The assets held in our portfolio can be segmented into the following categories:

**Figure 2: Cheltenham Borough Council asset portfolio 2020/21 (£m)**



For the purposes of this Strategy, the categories have been defined as follows:

#### ***Operational Assets***

We have defined operational assets as those owned by the Council to ensure we are able to deliver our services. Assets included are:

- The Municipal Offices;
- The Depot;
- The culture and leisure buildings operated by the Cheltenham Trust;
- Public conveniences and car parks.

**£99.3m**



## Community Assets

We have defined community assets as those owned by the Council, which are mainly in use for the well-being and social interests of our local communities. This is different to the categorisation of community assets in our Statement of Accounts. For the purposes of our strategic review and assessment, the category of community assets include:

- Pavilions;
- Scout Huts and Community Centres;
- Allotments;

As a Council we are proud of how we engage with our communities and this will be crucial in ensuring Cheltenham becomes the cyber capital of the UK which provides benefit for everyone and that the Council plays its role in supporting a network of community based facilities and services. This is front of mind in the management of our community assets and we will continue to use the resources at our disposal to support Cheltenham become a place where everyone can thrive.

**£32.71m**

## Investment Assets

We have defined investment assets as those owned by the Council to generate income used to support our net budget requirement. The majority of these assets were acquired as part of the Commercial Strategy adopted by the Council in 2015. Since the change to the Public Works Loan Board ("PWLB") guidance in August 2020, we are no longer permitted to use these funds to invest purely for yield. This is a key consideration in how we manage this category of properties as part of this strategy.

Our investment property portfolio includes retail premises, office space and small local shops located within the borough of Cheltenham.

**£66.44m**





## ***Residential Housing***

This category includes only residential property held within the Housing Revenue Account ("HRA") and housing projects which are currently under construction.

The council owns approximately 4,500 residential properties through the Housing Revenue Account, representing approximately 10% of the housing stock in the borough. These homes are both social and affordable rental properties, and are managed on the Council's behalf by Cheltenham Borough Homes ("CBH"). CBH has its own Asset Management Strategy, approved in 2018 and running until 2023. A core role of CBH is to manage those assets appropriately, as set out in their Asset Management Plan. The plans and strategies will be refreshed as part of the Council's Housing Investment Plan which will outline how the £100m Housing Investment Fund will be invested 500 new homes in Cheltenham.

***£239.97m***

## ***Surplus or Development Assets***

The Council has set an ambitious vision that involves a considerable development agenda which is why the accumulated value of this asset category is £47.23m. Housing delivery also forms a core component of the Council's development agenda. The Housing, Homelessness & Rough Sleeping Strategy 2018-23 was approved by CBC Cabinet in July 2018. This strategy sets out a range of objectives aimed at tackling housing inequality in Cheltenham. In late 2018, the Cabinet and Council unanimously agreed to commit £100m to provide a step change in housing delivery in the borough.

This is an extremely diverse category of assets; including land holdings for the West Cheltenham development, sites allocated for housing in the Local Plan and sites currently being developed for commercial use.

It is likely that a number of assets that currently fall under other categories of assets could in future fall into this category of asset. Similarly, an assessment of an opportunity under the framework outlined in this document may result in a decision to acquire additional land or property to support the development agenda the wider housing strategy and our key employment sectors.

***£47.23m***

## ***Other***

***£3.91m***

The assets categorised as other are those Assets owned by the Council that do not meet any of the definitions above. These include properties from which other public services operate, former nursing homes and small industrial sites.



## ***4. The Management of our Land and Property***

### ***Roles and Responsibilities***

The Cabinet Member for Finance & Assets is the portfolio holder for Property and the Executive Director for Finance & Assets is accountable for asset management at the Council. This direct involvement at Councillor and Executive Management level reflects the importance and recognition of making the best use of our physical resources.

The Head of Property, Finance and Assets is responsible for Asset Management with a professional, ambitious and dynamic property team, working in partnership with our communities, businesses, building occupiers, landowners, suppliers and partners to optimise asset performance and income in the delivery of our property services and solutions.

### ***Our Corporate Landlord Approach***

We operate a Corporate Landlord Approach where the ownership of an asset and the responsibility for its management and maintenance is transferred from service areas into the corporate centre. The service area then becomes a corporate tenant and their priority is to plan and deliver their service to the best of their ability. Our property team are responsible for the Corporate Landlord function to ensure all services are adequately accommodated and the associated land and property assets are managed and maintained.

The Corporate Landlord's responsibility extends further to the acquisition, development and disposal of land and buildings. The Corporate Landlord is responsible for asset planning, review, feasibility and options appraisal accounting for the needs of all service areas, but most importantly, making decisions based on overall corporate priorities.

### ***Management and Maintenance***

Our land and property are managed and maintained to ensure they are Statutory and Industry (RICS) Complaint, adopting RICS best practice guidelines. Our experienced in-house specialist teams with support from external suppliers where necessary, always strive to ensure our property portfolio is effective, sustainable and energy efficient.

The property team are responsible for a comprehensive compliance regime to ensure our assets remain safe and secure, a prioritised planned maintenance programme for asset enhancement and in-house resource to manage our facilities and reactive repairs to our properties. Decisions relating to the improvement or maintenance of our assets also consider their contribution to our Corporate Priorities, in particular the reduction of the carbon emissions from our buildings.

Our management and maintenance of our properties, as well as the customer service provided through the Corporate Landlord approach means we are able to drive efficiency through proactive asset management of our land and property and ensure they provide the right space, in the right place and on the best terms.



## 5. The Asset Challenge Process

It is appropriate that the Council regularly reviews the assets within its portfolio to ensure they remain fit for purpose and aligned to our corporate priorities and objectives. In order to do this we have developed an asset challenge process which is set out in Appendix 1.

The asset challenge process is divided into two phases; an annual review of the purpose and performance of an asset and then the process for evaluating any decisions relating to an asset.

The implementation of this process will enable an asset owner to make informed choices about the future of assets in a structured and objective fashion. The process can be applied to all relevant assets in the Councils portfolio using the guidance set out over the next few pages.

### Stage 1: Strategic Fit and Purpose

In order to assist asset holders in this analysis, the table in Figure 3 outlines the expectations of how each category of asset should contribute and support our Corporate Priorities outlined in the Corporate Plan. This is by no means a comprehensive analysis but should be used as a guide to assist judgements in the challenge process.

**Figure 3: Mapping of Asset Categories against Corporate Priorities 2020 - 2023**

| Asset Category      | Corporate Priority          |                                        |                             |                                      |                          |
|---------------------|-----------------------------|----------------------------------------|-----------------------------|--------------------------------------|--------------------------|
|                     | 1 – Cyber Capital of the UK | 2 – Town and public space improvements | 3 – Carbon net zero by 2030 | 4 – Building housing and communities | 5 – Delivery of services |
| Operational         |                             | X                                      | X                           | X                                    | X                        |
| Community           |                             |                                        |                             | X                                    | X                        |
| Investment          | X                           | X                                      |                             | X                                    |                          |
| Residential Housing |                             |                                        | X                           | X                                    | X                        |
| Surplus/Development | X                           | X                                      |                             | X                                    |                          |
| Other               | X                           | X                                      | X                           | X                                    |                          |

In making the assessment, the following should be considered when assessing the alignment of the asset purpose against our Corporate Priorities. Whether the asset:

- facilitates economic growth and recovery;
- helps to meet our housing needs, including contributing to our housing strategy;
- creates commercial space that supports our key employment sectors;
- stimulates a positive climate for inward investment into Cheltenham;
- delivers sustainable and future proofed infrastructure;
- responds to market failure;
- improves and drives quality and innovation of our public realm; and
- delivers on our climate and environmental commitments and approach to social value outcome

## Stage 2: Performance of the Asset

The financial and non-financial performance of an asset will vary depending on the category and strategic purpose of the asset. When considering an asset assessment, the key performance areas outlined below in Figure 4 should be considered as a minimum.

**Figure 4: Examples of key measures of asset performance**

| Asset Category                                              | Financial Performance Considerations                                                                                                                                                                            | Non- Financial Performance Considerations                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| All                                                         | <ul style="list-style-type: none"> <li>The annual net revenue cost of operating or holding the asset.</li> <li>The cost of the planned maintenance programme for the asset.</li> </ul>                          | <ul style="list-style-type: none"> <li>The compliance of the asset with health and safety requirements.</li> <li>The utilisation of the asset by visitors, residents, community groups and staff.</li> <li>The operational or strategic value of the asset to our partner organisations.</li> <li>The carbon footprint of the asset.</li> </ul> |
| <b>Additional indicators to consider by asset category:</b> |                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                 |
| Operational                                                 |                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>The use of the asset to support statutory functions.</li> </ul>                                                                                                                                                                                                                                          |
| Community                                                   | <ul style="list-style-type: none"> <li>The value of any rent subsidy provided for the asset.</li> </ul>                                                                                                         | <ul style="list-style-type: none"> <li>The utilisation of the asset by local groups.</li> <li>The terms and conditions of any leases or licences for the asset.</li> </ul>                                                                                                                                                                      |
| Investment                                                  | <ul style="list-style-type: none"> <li>The net yield of the asset.</li> <li>The financial return on the asset compared to comparable in the existing market.</li> <li>Any rent arrears on the asset.</li> </ul> | <ul style="list-style-type: none"> <li>The implementation of terms and conditions of the leases with tenants.</li> <li>The volume of vacant space in the asset.</li> </ul>                                                                                                                                                                      |
| Surplus/<br>Development                                     | <ul style="list-style-type: none"> <li>The current existing use and market value of the asset.</li> </ul>                                                                                                       | <ul style="list-style-type: none"> <li>Any categorisation of the asset in the Local Plan and Joint Core Strategy.</li> </ul>                                                                                                                                                                                                                    |
| Other                                                       |                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                 |

No threshold criteria has been set for whether an asset is performing strongly or otherwise. The parameters for a strongly performing asset will differ depending on its category, use and condition. Stage one and two should be used to determine whether there is scope in an asset category to identify whether there are opportunities for improvement and/or to do something different.

## ***Stage 3 – 6: Preparing a Case for Change***

Stage one and two of the asset challenge process should be undertaken annually. The purpose of assessing the strategic fit and performance of an asset is to determine whether there is an opportunity to change how the asset is used by the Council. This may lead to a decision being put to Members.

Stage three to six of the process should be undertaken when, following assessment of strategic purpose and performance, assets in a category are no longer providing a benefit for the Council.

In order to produce a full and comprehensive business case for change, officers should consider the risks and opportunities of the options to ensure all possible options are presented in a fair and transparent manner.

Further information relating to the roles of key stakeholders and the governance and monitoring of the asset management strategy is included in Section 7.

Note: All proposals for new investments, developments and acquisitions should follow the full process from Stage one to six.



## 6. *Implementation of the Asset Challenge process*

In order to prioritise the asset challenge process for our portfolio, asset categories will be initially reviewed in tranches during 2022/23 and assets will be assessed in order of Net Book Value.

| Asset Category | Review Period        |
|----------------|----------------------|
| Investment     | By 31 March 2022     |
| Other          | By 31 March 2022     |
| Operational    | By 30 September 2022 |
| Community      | By 30 September 2022 |

This exercise will provide a baseline for the purpose and performance of our portfolio to take forward into 2023/24 and beyond. It is also likely to result in a number of assets being brought forward through stage three to six of the challenge process.

For the category of Surplus/Development assets, the challenge process will run concurrently with the above. We will continue to progress those assets already identified for development, assess the opportunities to redevelop assets/parts of assets that come to the fore through the asset challenge process and pursue opportunities for new asset acquisition that are strategically aligned to our Corporate Priorities.

Residential Housing will be considered in more detail in the Housing Investment Plan which will be presented separately for approval.

On the completion of each category review, a performance dashboard and asset action plan will be produced and reported to Members. The roles, responsibilities and monitoring of the asset challenge process and subsequent decisions are outlined in Section 7.

## 7. Governance and Monitoring

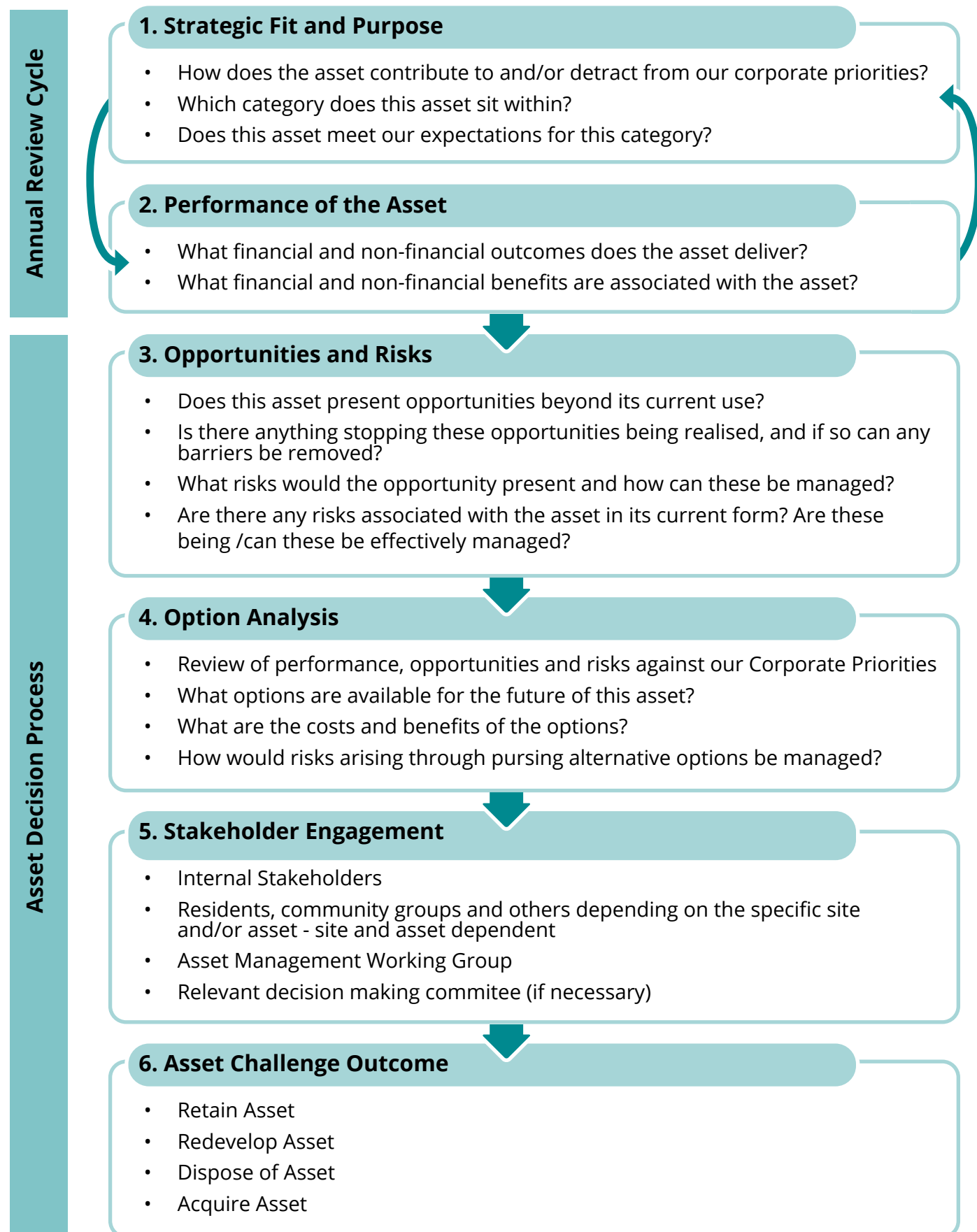
The Asset Management Working Group will provide oversight of the asset challenge process with relevant decisions referred on to Cabinet/Council.

A detailed asset management plan will be produced for each asset category which reports purpose and performance against the considerations set out in Section four of this document. This will also contain specific actions to monitor the assessment of new opportunities and improvements identified through each annual review.

It is proposed that an additional officer scrutiny panel is established to monitor the annual review of our assets and provide advice and oversight when additional opportunities are identified for an asset. This will include representatives from across the Council and be Chaired by the Head of Property, Finance and Assets.



# Appendix 1: Asset Challenge Process Map







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