

ASSET MANAGEMENT STRATEGY

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1. Purpose

1.1 To propose a draft Asset Management Strategy for the Council.

2. Summary

2.1 The draft Strategy seeks to deal with the key principles the Council would wish to adopt in managing its extensive property assets, currently valued at approximately £480m.

2.2 The key principles are:

- (a) all Council property would be owned corporately (though it may be managed by a committee);
- (b) the reasons for holding individual properties should be regularly reviewed;
- (c) asset management planning information should be held on integrated IT systems across the Council;
- (d) leasing property for Council use should be a short-term option only;
- (e) all decisions about council property that affect the Council's capital budgets should be taken corporately with properties no longer needed for their original purposes being returned to the corporate "pot." and decisions about the future of them being made by a Property Sub- Committee of the Policy and Resources Committee; and
- (f) lettings to voluntary organisations should normally mirror the Council's grant aid commitment to the organisation unless it can fund a commercial rent.

3. Recommendations

3.1 That the draft Asset Management Strategy be adopted by the Council and the accompanying paper on operational issues be noted.

4. **Background**

- 4.1 In preparation for the introduction of Best Value and the Council's aspiration for Beacon status, the Council will need to review the role of land and other capital assets in meeting its primary function, which is to support service delivery.
- 4.2 The Council owns over 17,000 properties worth about £480m. The Council's housing and shared ownership stock account for over 16,000 of those properties and £308m of the value.
- 4.3 The Council had a number of assets when it was a Borough Council. It has since acquired many assets through the local government reorganisation process, transferred from the Borough Council and Buckinghamshire County Council. It continues to inherit properties through the planning process and from English Partnerships. A comprehensive review of these assets is necessary if the Council is to make the most efficient use of them. There can be significant effects on revenue budgets if assets are transferred to the Council without endowments sufficient to meet running costs.
- 4.4 The Council is now the owner of a substantial property portfolio yet it has no agreed strategy about its reasons for holding property nor does it have a consistent approach to its management. A comprehensive review of the portfolio has never been carried out. There are fragmented property roles across the authority and a lack of clarity about responsibilities and procedures.
- 4.5 A corporate approach to property is essential if the Council is to maximise the potential of its property in capital and revenue terms. This is particularly so now that the Government has indicated its intention to link capital funding of schools with asset management planning. Such plans need to be in place for schools by April 2000. This means condition surveys will need to be completed by December 1999. The plan will review the suitability, sustainability and condition of each school. The Government has indicated that the approach to capital funding for schools is likely to be adopted for capital funding for local government generally. Also the Government intends to introduce "resource accounting" to Housing Revenue Accounts which will have the effect of moving what is now regarded as capital expenditure into revenue.
- 4.6 Property disposals have been considered recently as part of the budget review exercise. The special meeting of the Policy and Resources Committee on 19 October 1999 was advised as follows:
- 'Within the three year budget strategy, disposals of surplus sites will play a role in reducing the debt burden of the authority and to support capital expenditure plans. As part of this approach, a target of a reduction in revenue costs of £300,000, funded from the sale of property, has been set for the next financial year. Work has begun on identifying sites which may be surplus to requirements and could be sold to deliver these savings. Authority to dispose of individual sites within this programme will be sought from the Property Sub-Committee over the next few months'.
- 4.7 A comprehensive review of property under the Asset Management Plan process will provide further opportunities for capital and revenue savings.

5. Issues and Choices

- 5.1 At the moment committees largely make decisions about properties they “own.” However it needs to be recognised that these properties are owned for the benefit of the whole organisation. Whilst it is right that committees should make use of properties to enable them to deliver services there needs to be a corporate approach to the acquisition and disposal of these assets.
- 5.2 The Council will need to decide what approach it wishes to take to property management. Maintenance of assets is a problem for local government generally. Ever decreasing budgets make it difficult to find money to maintain public buildings. The Council will need to decide whether to put the emphasis on cyclical/planned maintenance, which may or may not include capital expenditure, or responsive repairs. The emphasis may need to be different for different types of property.
- 5.3 There needs to be closer links between the allocation of premises to voluntary organisations and their grant aid funding. It is self-evident that, as a general rule, the Council should not be leasing its property to a voluntary organisation on a long term basis at a nominal rent if it is grant aiding that same organisation on a year to year basis.
- 5.4 Until Re-organisation the Council had a Property Panel that dealt with property issues. In 1995 the Borough Council Property Panel aspired to have a 5 year rolling maintenance plan for all property falling within its terms of reference, and a review of those property holdings once every three years.
- 5.5 Since then the function has been the responsibility of the Finance Committee, the Resources Committee and now the Policy and Resources Committee. At its meeting on 13 July 1999, the Policy and Resources Committee established this Sub-Committee to oversee the review of the property function and make decisions in the corporate interest. The Sub-Committee’s Terms of Reference includes:
- ‘To agree an Asset Management Strategy for the Council and to make decisions about the use of Council property when it is no longer needed for the purpose for which it was originally intended’.
- 5.6 The latter function is expressed in this way rather than referring to when a property is “ surplus to the committees requirements ” to ensure that once a property is no longer needed for one purpose all the potential competing uses for it are evaluated and a corporate decision made about its future. This does mean that service committees would not be expected to declare a property surplus to their requirements and that all decisions to dispose of property would either be made under officer delegated powers or by the Property Sub-Committee.
- 5.7 It would be sensible for there to be an officer working party (the Property Working Group) that would consider property issues at a corporate level before making recommendations to the Property Sub-Committee.
- 5.8 This Sub-Committee and the Property Working Group will need to have links with the Capital Programme Working Group (an officer working group). Committee Capital programmes are already linked to the anticipated receipts generated by property disposals. However this process needs to become more systematic and needs to be viewed more corporately, in the

light of the Governments intention to provide capital funding on a similar basis to that which will be provided to schools in the future.

- 5.9 A draft Asset Management Strategy is attached as **Annex A** and a supporting paper on Operational Issues is attached at **Annex B** to this report for consideration.

6. **Implications**

6.1 Environmental

The proper planned maintenance of public buildings will benefit the amenity of the area they are in, produce a better working environment for those using them, and lead to the more efficient use of resources such as heating, lighting, water etc. Strategic purchases may enable regeneration of areas.

6.2 Equalities

The linking of property management with other assistance to the voluntary sector may increase the range of properties available for use by them.

6.3 Financial

Future capital funding from Government is going to depend on this authority's ability to demonstrate that it has a co-ordinated approach to asset management. Budgetary pressures mean that it is essential to maximise the best use of maintenance budgets across the Council. The adoption of an asset management strategy may lead to a review of the roles of various posts across the authority dealing with property which might produce savings. Also there may be opportunities to streamline financial and other IT systems.

6.4 Legal

None.

6.5 Staff and Accommodation

See comments at "financial" above. Also a review of the Council's need for office accommodation would be carried out as part of the general review of the Council's holdings to identify opportunities for improved service delivery and revenue savings.

7. **Conclusion**

- 7.1 The Council's wish to be a "Beacon Council" means that it is necessary to review the way in which property is dealt with across the Directorates. Best Value would require this in any event. Also there has not yet been a systematic and comprehensive review of the Council's property holdings since it became a unitary authority over two years ago. A corporate approach to the acquisition and disposal of assets is essential to enable the provision of efficient front-line services.

Background Papers: None