

Southend-on-Sea Borough Council

Agenda
Item No.

Report of
Corporate Director for Corporate Services
to
Cabinet

On
22 September 2015

Report prepared by:
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Corporate Asset Management Strategy 2015 – 2025
Policy and Resources Scrutiny Committee
Executive Councillor: Councillor R Woodley

A Part 1 Public Agenda Item

1. Purpose of Report

To introduce the Corporate Asset Management Strategy 2015-2025 incorporating a Commercial Property Investment Strategy.

2. Recommendations

- 2.1 That Cabinet agrees the updated Corporate Asset Management Strategy 2015-2025 (CAMS) at **Appendix 1**.
- 2.2 That Cabinet notes that the proposed CAMS now includes a commercial property investment strategy as set out in section 5.2 of the CAMS and referred to primarily in sections 3 and 6 of this report.
- 2.3 That members note that to progress the above strategy will require specific capital resources being identified as part of the relevant budget process together with some revenue support to be funded from the Business Transformation Reserve.

3. Background

- 3.1 The Council developed an Asset Management Plan in 2007 when doing so was not only recommended practice, but also a requirement under the Corporate Performance Assessment (CPA) requirements which have long since been withdrawn. There is no longer strictly a requirement on local authorities to maintain an Asset Management Plan but it is of course good practice to do so and to update it periodically to provide a framework for the management of the Council's land and property assets which is agreed at a corporate level.
- 3.2 The Asset Management Plan written and adopted in 2007 has been updated regularly to reflect changing Corporate Priorities, legislation and guidance and

to support the Council's continuing regeneration, rationalisation, shared working aspirations and importantly, to help the Council meet its budgetary challenges both in revenue and capital terms.

3.3 Consequently, it is necessary to consider a longer-term plan-period and the attached strategy covers the period 2015-25. The CAMS will be periodically updated during the plan-period as part of the Council's budget process.

3.4 **Appendix 1** to this report is the CAMS. It sets out the core principles for Operational Property (land and property held and used in the delivery of services) and Non-Operational Property (all other land and property holdings). The CAMS has been framed around the following key points:

- a) The CAMS is built around the vision and strategic aims set out in section 2.1 of the document. Principally that the Council holds assets strategically and manages them corporately in support of the Council's safe, clean, healthy, prosperous and excellent aims to:
 - Support efficient and effective service delivery;
 - Support regeneration and development and enable the Council to achieve its objectives; and
 - Rationalise, develop and improve the portfolio to underpin the capital programme and revenue budget through development, income generation, property acquisition and disposals.
- b) The CAMS reaffirms the governance and decision making arrangements for the corporate management of the Council's property assets including the arrangements for the now well established PSP Southend LLP and the proposed commercial property investment portfolio.
- c) The CAMS introduces a commercial property investment strategy which is explained in section 5.2 of the CAMS. This is to set the framework for the Council to actively invest capital in commercial property, strictly to generate long term revenue income. It is important to note that as with other investments made by the Council, these are more likely to be found outside the Borough and the strategy provides for this, and for acquisition, management and disposal arrangements to be dealt with in accordance with the Constitution.

3.5 Recommendation 2.3 asks members to note that to progress with the Commercial Property Investment Strategy will require specific capital resources and revenue support from the Business Transformation Reserve. The Capital will be required to purchase investment assets while the revenue support will be needed to support the establishment of the frameworks and to procure the technical support required to be able to deal effectively with the identification, appraisal, risk analysis, acquisition and management of investment assets.

4. Other Options

A Corporate Asset Management Strategy forms an important part of the suite of documents needed to manage the Council's assets and budgets. The existing strategy could be maintained and updated but this would not actively support the Council's investment aspirations.

5. Reasons for Recommendations

- To update the Council's Asset Management Strategy having regard to the comments arising from consultation (see 6.4 below)
- To maintain the profile of the Council's Assets and their application in helping the Council to achieve its vision and meet the corporate aims, including regeneration and development.
- To provide the framework and governance to support active investment in commercial property to generate long rent revenue.
- To re-affirm the reasons why the Council holds assets and why they are held and managed corporately.
- To re-affirm the governance arrangements for Asset Management

6. Corporate Implications

6.1 Contribution to Council's Vision & Corporate Priorities

The CAMS sets the framework for the Council to use its land and property assets specifically in support of the Council's vision, aims and corporate priorities.

6.2 Financial Implications

6.2.1 The financial implications are set out in the CAMS and in this report.

6.2.2 Attention is drawn to the table in Section 5.2 of the CAMS which gives an indication of the level of capital investment which would be required to build a portfolio which could generate circa £1m p.a. to the revenue budget and assist in meeting the Council's revenue budget gap.

6.2.3 As mentioned in 3.5 above, to build the portfolio will require some revenue support from the Business Transformation Reserve, which is estimated to initially be £50k over the next 2 financial years for specialist advice and support.

6.2.4 Currently no capital budget exists for the progression of a capital property investment strategy. Any new capital resources for the strategy will need to be considered as part of the relevant budget process. Additionally, revenue support will need to be funded from the Business Transformation Reserve to support this invest to save opportunity.

6.3 Legal Implications

6.3.1 Where there are legal implications these are set out in the CAMS, including formalising the Council's process for dealing with the disposal of Open Space and complying with the Local Government Act 1972 s.123 2(A) in this regard.

- 6.3.2 The Council's powers of competence as set out in Section 1 of the Localism Act 2011 deal with the Council's ability to invest proactively in commercial property for investment purposes.
- 6.3.3 The Constitution provides for the necessary delegated powers to officers in respect of the management of the Council's assets. Standing Order 46 will continue to be used regularly where decisions on property related matters will not wait for a cabinet cycle and need to be actioned.
- 6.3.4 Any acquisitions of property would be subject to value for money tests while any disposals would be required to satisfy the legislative requirements of s.123 Local Government Act 1972 in terms of ensuring best consideration.
- 6.4 Consultation

A workshop has been held with the Senior Management Team to discuss the purpose and principles of the Asset Management Strategy and particularly to affirm that the key principles are appropriate.

The CAMS was presented for Pre-Cabinet Scrutiny on 16 July 2015. Minute 157 refers and records that:

"The Committee discussed the report in detail and made detailed comments on the draft Corporate Asset Management Strategy 2015-2015 (CAMS).

Resolved:-

1. That the report to Cabinet on the Strategy, attached at Appendix 1 of the report, should cover the following points:-

- Notification of intention to dispose of public open space – a process is required to inform ward Councillors at the same time as the public advertisement;*
- Investment strategy – Members highlighted the need for a robust selection process given the potential risk of investment and the need for an appropriate decision making process;*
- Non-operational property – Strategy needs more emphasis on retaining freeholds.*

2. To note that the Strategy will require specific capital resources being identified as part of the relevant budget process together with some revenue support to be funded from the Business Transformation Reserve."

7. Appendices

Appendix 1 – Corporate Asset Management Strategy 2015-2025