

Overview and Scrutiny Committee

29 September 2020



Title	Asset Management Plan		
Purpose of the report	To make a decision		
Report Author	Heather Morgan - Group Head Regeneration and Growth		
Cabinet Member	Councillor J. Boughtflower	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	Cabinet to: <ul style="list-style-type: none">• Approve the Asset Management Plan (AMP) for the period 2020 to 2025• Delegate authority for any annual updates which may be required (excluding any substantive changes in approach) to the Group Head for Regeneration and Growth in consultation with the Portfolio Holder for Investment Portfolio and Management, and Regeneration		
Reason for Recommendation	<p>The Asset Management Plan sets out in practical terms how the Council will support the delivery of its Capital Strategy. Its intent is to ensure that the property assets Spelthorne owns, uses, develops and has invested in are fit for purpose, managed effectively and represents value for money for the council's residents.</p> <p>Long term risks to the Council will be minimised, and it will help sustain the local economy and ensure continued and effective delivery of Council services.</p>		

1. Key issues

COVID-19

- 1.1 This Plan was due to have been considered by Cabinet on 25 March 2020, which was cancelled as we entered lockdown as a result of the pandemic on that day. The Asset Management Plan was written prior to COVID 19 but has been amended subsequently to cover this global event in an opening paragraph. Whilst it was never intended to 'capture and respond' such an event, the Plan has helped the Council as an organisation to manage our assets very effectively during this crisis. The principles which are set out in

the document have been applied since we first started our acquisition strategy, and have withstood the test of the pandemic remarkably well.

- 1.2 For example, the risk profiling which has been undertaken in respect of every acquisition (as per the Plan) has ensured prudent purchases with tenants who have a strong covenant strength. Stress testing on individual acquisitions/tenants is already undertaken when required, an Annual Investment Report has been completed (and is elsewhere on this agenda) and a sinking fund worst case scenario is undertaken on a weekly basis. I would point Cabinet to what work the assets team undertook (and still do undertake) during the COVID-19 pandemic. For ease of reference this is included as an Appendix at the back of this report (**Appendix 3**).
- 1.3 Our approach to management is the right one – checks and balances are in place, our dedicated professionally skilled team have got any issues well under control and this is paying dividends. As a result of the rigour of our approach £10m pa is being delivered to the Council to support and enhance key services (such as independent living and community wellbeing) and to deliver a development programme to provide much needed residential accommodation and help the recovery of the local economy.
- 1.4 In terms of the March quarter rent as of 10 June 2020 we have collected 90.98% of the March quarter's rent. With payment plans agreed with other tenants we have less than 1% (0.84%) of the rent outstanding and due for payment at the current date. This compares very favourably to an industry average of 67%.

Background

- 1.5 Historically, our Asset Management Plans (AMP) have been focused on municipal assets and geared very much towards day to day management. Our recent investment and development activity has both changed the landscape completely, and how we have to deal with our assets. As a Council we have recognised and fully embraced that property, in its many guises, has the capacity to deliver significant and lasting change for the benefit of the borough and our residents. Our achievements are already well documented:
 - (a) ensuring sustainable income streams (e.g. from our £1bn investment portfolio)
 - (b) delivering housing (e.g. the Borough building its first residential units since the late 1990's which provides a solid base from which to develop our expanding development portfolio)
 - (c) regenerating and improving town centres and our environment (e.g. acquiring strategic town centre sites for redevelopment)
 - (d) facilitating organisational change (e.g. consolidation of Council offices at Knowle Green reducing office space by 40%)
 - (e) improving service quality (e.g. expanding and improving our day centres)
- 1.6 The Capital Strategy, agreed by Cabinet on 26 February 2020 and approved at Council on 27 February 2020, is a high level document setting out the vision and direction of travel. It covers our investment, development and municipal portfolios. The main purpose of an AMP is to drill down to the next level and ensure that the assets the Council owns, uses, develops and has

invested in are fit for purpose, managed effectively over the long term and represent value for money. Property generally responds slowly to change so the AMP has to look at how property can facilitate responses to changes in service delivery, customer demand or strategic direction. Managing property assets requires co-ordination with all parts of an organisation at a strategic and business level. It is also a mechanism for ensuring that the relevant policies with our various strategies (for example Housing, Economic Development, Leisure and the Local Plan) are delivered on the ground.

Asset Management Plan

- 1.7 An effective AMP needs to be able to ensure:
 - (a) Efficient use of capital
 - (b) Adequate controls over running costs, and focused monitoring
 - (c) Sustainable and energy efficient portfolios
 - (d) Well planned and resourced maintenance programme
 - (e) A good fit between service requirements and the property from which services are delivered
 - (f) Quality accommodation (productivity, recruitment and retention)
 - (g) Opportunities for co-location of public services
 - (h) Effective procurement of property and construction and property support services
- 1.8 The AMP for 2020 to 2025 (**Appendix 1**) is split into our three main areas of activity. A one page Executive Summary is also provided for an 'at a glance' overview (**Appendix 2**).
- 1.9 The Investment Portfolio generates a significant income stream to support the delivery of housing (including affordable), economic development and service delivery. The key drivers here are to ensure we have income security, maintain the value of the assets, mitigate risk, ensure loan repayments, provide a return and have an exit strategy in place for each asset. The Plan details how we will ensure that we are able to achieve each of these, and Appendix 6 gives an example of how we will be monitoring performance.
- 1.10 The Housing, Economic Regeneration and Strategic Portfolio is focused on using land and buildings to deliver housing (private and affordable rented), and economic regeneration of Staines-upon-Thames in particular (mixed use developments with potential for community, leisure, office and other uses). These will also generate an on-going income stream and help relieve some of the pressure on Housing Services. The key drivers here are to repurpose and/or develop a number of key sites to deliver a sizeable proportion of the housing need which has been identified in the Local Plan within Staines-upon-Thames (where we have significant strategic landholdings) which the private market is failing to deliver. We also need to ensure that we provide sustainable residential accommodation with a range of tenure options, we secure an appropriate return and have an exit strategy in place.
- 1.11 The third strand covers the Municipal Portfolio which covers just short of 700 assets. They provide a wider community benefit and include our day centres, green spaces, buildings in parks (pavilions and toilet blocks) and grazing land. The key drivers here are to ensure properties are fit for purpose to deliver our services, they are efficient, in a suitable condition (where they are being

retained for the long term) and represent value for money. The AMP proposes that the Council goes through a process of assessing all its assets to determine whether they are needed for the short, medium or long term and to match the planned and responsive maintenance resource accordingly (Fig 20 in AMP). As part of this it will consider whether buildings will meet the changing future needs of our services where we may be looking to alter service delivery (Fig 20 – Asset Review Process). In addition, a specific policy has been developed (which is elsewhere on this agenda) which sets out a ‘balanced scorecard’ approach to assessing opportunities for utilising assets (and in particular buildings) for community use.

- 1.12 Effective governance is critical to the success of any AMP, and is particularly important when the assets function is so core to the running of the Council. The AMP sets out how this will operate with the Property and Investment Committee (PIC) performing the role of sub-committee of Cabinet, the Development and Investment Group (DIG) overseeing matters at a corporate level and the Assets team covering the operational level. These groups will ensure that investment and development decisions are taken in line with the Capital Strategy and the AMP, and monitor performance to ensure that the portfolios are delivering to expectation. Where this does not occur, these groups will ensure that appropriate and proportionate corrective action is taken.

2. Options analysis and proposal

- 2.1 The AMP is one of the main delivery vehicles for the Capital Strategy (which has to be updated and approved annually). It effectively sets out the work plan for the asset management team. It is therefore recommended that this plan is formally approved following the very recent adoption of the Capital Strategy. If we were to decide not to produce or adopt such a plan, then we would not be in a position to clearly set out and define our intentions on how we will be managing our assets or development programme. It is important that we are open and transparent in setting out the future work of the assets team in light of its central importance to the Council.

3. Financial implications

- 3.1 Capital resource requirements to grow and deliver an expanding residential and economic regeneration portfolio will be considered on an annual basis as part and parcel of the budget setting process which will go to Council for approval. From 2021 - 2022 onwards the aim is that the whole of the assets and property team will be 100% self-funded. This will be achieved through a mix of using monies set aside from investments (as part of our triple net return), appropriately capitalising development resources and recharging Knowle Green Estates Ltd for residential management of the portfolio.

4. Other considerations

- 4.1 The AMP covers all the required areas including risk mitigation. Section 5.1 of the Plan covers strategy, policy and risk management around our investment assets and highlights mitigation measures such as annual risk assessment, annual stress tests, ad hoc investment reviews and annual performance reports. Equality and diversity will be considered (as required) when we are looking at how property can facilitate service delivery.

5. Timetable for implementation

- 5.1 If approved, the AMP would come into immediate effect. The Action Plan sets out a timetable for implementing various key actions. There will be regular reviews to ensure progress is maintained.

Background papers: None

Appendices:

Appendix 1 – Asset Management Plan 2020 – 2025

Appendix 2 – Executive Summary sheet

Appendix 3 – Extract from the Emergency Council Meeting 21 May 2020