

Council

14 December 2023



Title	<i>Adoption of the Asset Management Strategy and Asset Management Plan, replacing the Asset Management Plan dated September 2020.</i>
Purpose of the report	To make a Key Decision
Report Author	<i>Sian Bowen - Principal Asset Manager & Coralie Holman – Group Head Assets</i>
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Environment Service delivery
Recommendations	Council is asked to: 1) Approve the adoption of the Asset Management Strategy and Asset Management Plan
Reason for Recommendation	<i>Following Development Subcommittee on 6 November 2023 this report sets out the recommendation which Council is asked to approve.</i>

1. Summary of the report

- 1.1 On 6th November 2023, the Development Sub Committee approved a proposal to recommend to Corporate Policy & Resources Committee the adoption of the Asset Management Strategy and Plan. On 27 November 2023 the Corporate Policy & Resources Committee agreed to recommend to Council this this strategy be adopted. This Strategy and Plan is to replace the Asset Management Plan adopted in September 2020 for the period 2020 to 2025 which reflects the changes in Administration and the new strategy and priorities to be adopted.

The Asset Management Strategy (AMS) has been designed with Member input from two workshops and is intended to be the overriding document above the Asset Management Plan (AMP) which summarises the key objectives for each portfolio: investment, municipal and development/regeneration.

The AMP reflects the operational delivery methodology for all each of the portfolios and covers the entirety of the Council's property estate.

The AMS has been through a delivery management process via two Development Subcommittees (2 October 2023 and 6 November 2023) and two workshops held by nominated Members and officers.

It is intended that both the new AMS and AMP will be put in place for a five-year period, with both having the flexibility to be adapted and amended as strategies and policies evolve.

Both documents will be publicly available.

Sitting under the AMS and AMP are the annual business plans, annual asset investment strategy, bi-annual Investment report, quarterly sinking fund monitoring, annual and bi-annual development delivery strategy and quarterly budget monitoring. These documents will remain confidential for Member and Officer use only. This hierarchical structure is shown in Appendix 1.

Three property portfolios have been identified and each portfolio has a specific identity and objective. These portfolios are 1) Investment, 2) Development and Regeneration and 3) Municipal.

Both the AMS & AMP have been designed to ensure that it will also possible that property assets may be transferred between portfolios, for example if the alternative use is more beneficial to the Councils need than as an income producing asset.

- 1.2 Members of the Councillor workshops consider the future governance of the investment portfolio needs to be agreed. This report recommends the Asset Portfolio Working Group (APWG) be replaced with a new Sub Committee Group Structure consisting of 4/5 members, to include an independent external advisor. It is suggested this subcommittee report into CPRC.

2. Key issues

- 2.1 The AMS key identified different objectives for all three portfolios (investment, municipal and development/regeneration), but with a single common theme:
“The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively and sustainably on a basis that represents value for money, minimises risk and has the interests of the local community at its heart”
- 2.2 Each portfolio of assets has identified specific objectives and strategic priorities as contained in Appendix 2.

2.2.1 Investment Portfolio Objectives

“To deliver positive net returns to support the Council’s ability to provide services, particularly discretionary, for its residents”

- ▶ Deliver a secure and sustainable income net of all attributable costs.
- ▶ Maintain capital value in real terms over the ownership period.
- ▶ Generate a net profit over medium and long term after deduction of attributable costs and with appropriate sinking fund contributions.
- ▶ Ensure that income returns meet or exceed budget targets and wider industry-standard benchmarks on a medium- and long-term basis, with an expectation of long-term income growth.

- ▶ Diversify risk through leasing assets to a broad range of tenants operating across different business sectors and with a mixture of income lengths (i.e., between 5 and 15 years)
- ▶ Make a positive contribution to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.
- ▶ The Council to retain these assets if they perform to required criteria but will continually assess alternative options in the event of under-performance or reasonable expectation of adverse future circumstances.

2.2.2 Development and Regeneration Portfolio

"To ensure the borough remains an attractive place to live, work and undertake leisure activities through the delivery of high-quality affordable housing, social infrastructure and commercial property that meets the needs and requirements of residents and local businesses."

- ▶ Ensure all development / schemes / partnerships meet the Council's corporate objectives ("CARES") and aim to deliver high quality housing and other economic and community places in a timely and financially efficient manner.
- ▶ Prioritise delivery of affordable housing and mixed-use projects to meet the needs of Spelthorne residents.
- ▶ All significant proposed developments will be subject to meaningful public consultation.
- ▶ Delivery mechanisms and longer term buy/hold/sell decisions will be decided by Members on a basis that meets the needs of our residents, businesses, and wider communities.
- ▶ All developments will contribute to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.

2.2.3 Municipal Portfolio Objectives

"To manage all property assets within the borough professionally and effectively to support service delivery, the voluntary, charitable and community sectors and provide amenity and community benefit to residents and support our CARES corporate priorities."

- ▶ To provide well maintained and accessible assets that benefit all who live in the borough, and support local community groups and vulnerable residents.
- ▶ To promote the use by residents of our attractive parks, open spaces and public places, with a focus on biodiversity.
- ▶ To consult with our residents, where appropriate, on the best use for municipal assets in the borough.
- ▶ The granting of occupational agreements to third parties by the Council will be dealt with in a fair and open manner, and where required in accordance with the Community Letting Policy.

- ▶ Good relationships will be maintained with our tenants to ensure compliance with lease obligations.
- ▶ The portfolio will contribute to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.

2.3 The AMP identifies in detail the operational demands and requirements across all three portfolios, team structure, reporting structures, KPI's and risk register. A copy is within Appendix 2.

It will be the intention once the new Member sub committee is established to further develop the risk register and KPIs in conjunction with the Development Sub Committee members.

Both the AMS and AMP will have the ability to be updated to reflect the new Administrations review of the Boroughs Corporate priorities in 2024.

2.4 Following the proposed streamlining of committees, It was originally intended that reporting for the investment portfolio would be by way of a new Commercial Assets Sub Committee. However following member workshops an alternative smaller group has been proposed with an independent external advisor.

It is considered that this smaller group will ensure greater governance on the investment portfolio, with the group obtaining a greater understanding, specialism and knowledge base on the portfolio.

It is advised that this smaller sub committee will have similar Terms of Reference to the proposed Commercial Assets Sub Committee recommended by Development Sub Committee on 31 July 2023 (Appendix 4).

3. Financial implications

3.1 Pulling together the Asset Management Strategy and Asset Management Plan has been undertaken using existing internal resources so there has not been an additional expenditure/budget impact, beyond the opportunity cost of the staff and councillor time focused on the exercise. Having said that both the Asset Management Strategy and Asset Management Plan link well to and feed into the Council's Capital Strategy, Capital Programme and Revenue Budget, all of which will be updated and approved by Council next February for 2024-25 and beyond. It is important that in order to manage financial risks and to obtain the best returns on use of assets that there are clear strategy frameworks and parameters for the different categories of asset. As part of the framework, it is useful to be clear on the approach to business plans, usage of sinking funds, budget monitoring etc. Assets and Finance will very much work in partnership in moving these arrangements forward.

4. Risk considerations

4.1 Risk: Where governance arrangements are not adequately robust, this could adversely impact strategic direction, quality of decision making and outcomes (financial and other) relating to the Council's asset portfolio.

Controls and mitigation: This report refers to how the Council are seeking to strengthen governance arrangements through proposal of a new Sub Committee Group Structure (reporting to CPRC) with representation of an

independent external advisor to provide specialist knowledge and support. This group will also build upon current KPI'S and the risk register for the investment portfolio.

- 4.2 Risk: If there is a lack of ongoing coordination between the different strands of the overarching Asset Management strategy, this could lead to the Council applying a fragmented rather than holistic approach in seeking optimal value in the management of its assets

Controls and mitigation: Please add proposed controls and mitigations planned to address this risk identified.

5. Procurement considerations

This report references throughout the support of an independent external advisor, which, dependent on value, will need to be procured in accordance with Contract Standing Orders, and will require a scope of services to be developed.

6. Legal considerations

Any new subcommittee needs to be considered by the Committee System Working Group and then referred to Standards Committee. In the event this is approved, a recommendation is to be made to Council to adopt.

7. Other considerations

- 7.1 Future reporting and Governance of the investment portfolio will need to be agreed in conjunction with the Head of Governance to bring about changes in conjunction with the wider committee structures.

- 7.2 A new Sub Committee Group Structure (similar to the APWG) is proposed, with a smaller number of members (4/5) to include an independent external advisor, it is anticipated this committee will report into CPRC.

- 7.3 The proposed new working group will also review and build upon the current KPIs and Risk Register for the Investment Portfolio.

8. Equality and Diversity

- 8.1 There are no specific considerations.

9. Sustainability/Climate Change Implications

- 9.1 Climate change policy within the AMS and AMP have been aligned with the Corporate plan targets and specifically identified within both documents.

10. Timetable for implementation

- 10.1 Based on the recommendation above, approval will be sought at full council on 14 December.

Contact

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Appendices: Appendix 1 – Hierarchy of documents for reporting
Appendix 2 - AMS
Appendix 3 – AMP

Appendix 4 – Draft Terms of Reference Commercial Assets Sub
Committee