

# West Suffolk Asset Management Strategy and Plan

<b>Report No:</b>	<b>CAB/WS/19/037</b>	
<b>Report to and date/s:</b>	<b>Cabinet</b>	8 October 2019
	<b>Council</b>	5 November 2019
<b>Cabinet Members:</b>	<p>Councillor Susan Glossop Portfolio Holder for Growth <b>Tel:</b> 01284 728377 <b>Email:</b> <a href="mailto:susan.glossop@westsuffolk.gov.uk">susan.glossop@westsuffolk.gov.uk</a></p> <p>Councillor Peter Stevens Portfolio Holder for Operations <b>Tel:</b> 01787 280284 <b>Email:</b> <a href="mailto:peter.stevens@westsuffolk.gov.uk">peter.stevens@westsuffolk.gov.uk</a></p>	
<b>Lead officers:</b>	<p>Julie Baird Assistant Director (Growth) <b>Tel:</b> 01284 757613 <b>Email:</b> <a href="mailto:julie.baird@westsuffolk.gov.uk">julie.baird@westsuffolk.gov.uk</a></p> <p>Mark Walsh Assistant Director (Operations) <b>Tel:</b> 01284 757300 <b>Email:</b> <a href="mailto:mark.walsh@westsuffolk.gov.uk">mark.walsh@westsuffolk.gov.uk</a></p>	
<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>	
<p><i>The decisions made as a result of this report will usually be published within <b>48 hours</b> and cannot be actioned until <b>five clear working days of the publication of the decision</b> have elapsed. This item is included on the Decisions Plan.</i></p>		

---

**Wards impacted:**      **All Wards**

**Recommendation:**      **Subject to the approval of Council, Cabinet is RECOMMENDED to:**

- (1)    approve the West Suffolk Asset Management Strategy attached at Appendix A to Report No: CAB/WS/19/037; and**
- (2)    approve the delegations for property acquisitions as outlined in the Asset Management Plan attached at Appendix B and funded through the Investing in Growth Fund to be brought in line with those for non-property transactions from the same fund, as set out in Section 2.4 of Report No: CAB/WS/19/037.**

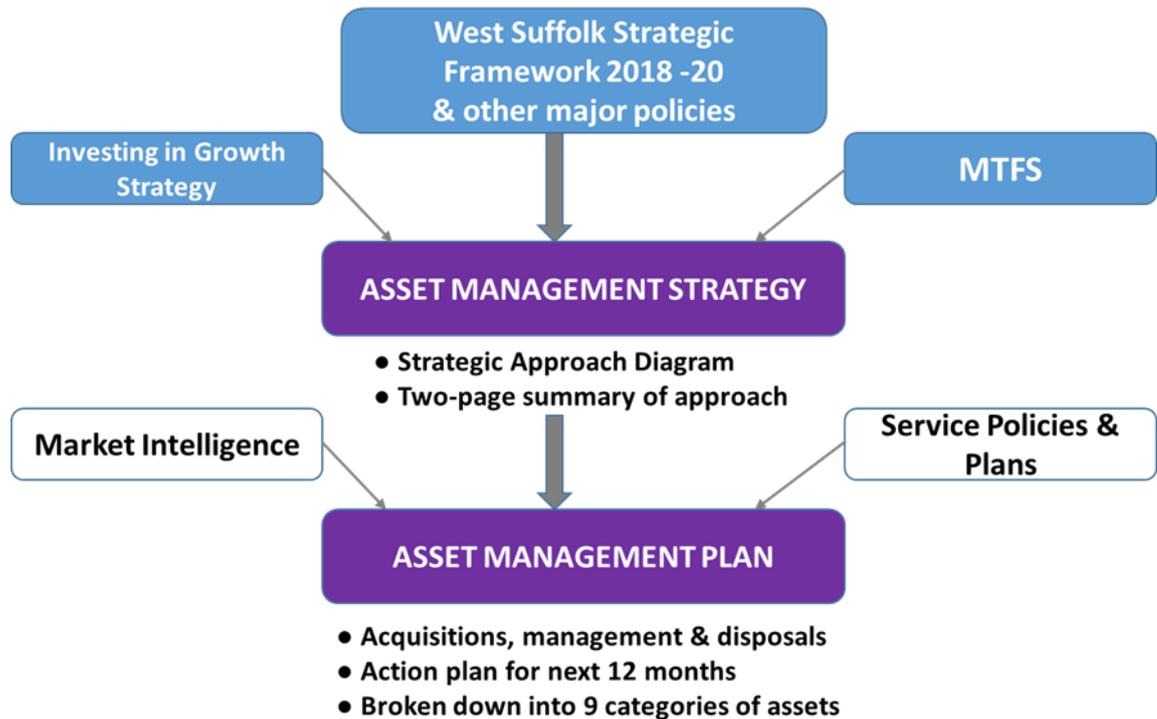


## **1. Background / Context**

- 1.1 West Suffolk Council owns in excess of 600 land and property assets across the District, with a total value of £191m. These assets range across public buildings such as the Council Offices and Leisure Centres; specialist housing accommodation; car parks; commercial property investments; parks, recreation and open space; cemeteries; amenity land and a solar farm.
- 1.2 These assets are held for a number of reasons including providing valuable services and amenities to the residents, business and visitors in West Suffolk. Collectively these assets generate an annual revenue income of £10.98m which helps to support the delivery of services, whilst others bring wider social and economic growth benefits for our residents. Therefore it is very important that these land and property assets are managed, both individually and collectively as a portfolio, in the most effective and efficient way.
- 1.3 In the West Suffolk Strategic Framework 2018-2020, we undertook to:  
  
"Develop an Asset Management Plan to ensure the operational and other assets owned by West Suffolk are used for maximum public benefit, including our office buildings, waste facilities, car parks, investment properties and energy assets such as Toggam Solar Farm. This will include joint initiatives such as the delivery of the West Suffolk Operational Hub and Mildenhall Hub, as part of the One Public Estate programme"
- 1.4 The West Suffolk Asset Management Strategy and Plan (AMSaP) set out in this paper is therefore delivering on that objective, as well as being in line with the approaches set out in the West Suffolk Growth Investment Strategy, adopted by both the former St Edmundsbury Borough and Forest Heath District Councils in February 2018.
- 1.5 Delivery of the Council's Medium Term Financial Strategy is also a fundamental element of the Asset Management Strategy and Plan along with other individual service policies. This means that this Strategy and Plan is not a document which sits in isolation, but forms a "golden chain" with core Council policies and is expressed in those contexts.
- 1.6 The West Suffolk Asset Management Strategy and Plan (AMSaP) supports our behaving more commercially approach and provides the framework to both enable the council to maximise the value of its existing assets. Plus through future acquisitions ensure we continue to achieve the management of an overall balanced (risk/return) asset portfolio whilst generating additional revenue income streams to support the delivery of council services. The AMSaP therefore sets out a clear strategic and planned approach to how we acquire, manage, dispose, develop and maximise the potential of the Council's portfolio of land and property assets and interests.
- 1.7 This paper also sets out the financial structure and context under which the AMSaP will be delivered, along with a proposal on delegations to allow the Council to act swiftly where opportunities for investing arises, whilst still ensuring robust appraisal and value for money for the public purse.

## 2. Proposals

- 2.1 The proposed Asset Management Plan sets out a clear working programme for the Council and its Officers for acquisitions, estate management and disposals.
- 2.2 As set out in the section 1/, the AMSaP does not sit on its own, but with a clear strategic and contextual link with other policies and documents across the Council. The following diagram demonstrates how these link together:



2.3 The AMSaP comprises two documents:

### 2.3.1 **Asset Management Strategy (Appendix A)**

In a simple, concise document, this sets out the overall strategic approach to land and property assets and the context with West Suffolk priorities.

### 2.3.2 **Asset Management Plan (Appendix B)**

This is a detailed spreadsheet which, across four sections, sets out:

- the Asset categories and individual policy contexts;
- a 12-month action plan (some actions for which will be rolling) for acquisitions, management, and disposals.

2.3.3 To help inform the actions set out in the Asset Management Plan external property consultants, NPS, were appointed to undertake an asset survey of the Council's portfolio. This included identifying opportunities to increase returns from the existing estate and address any underperforming assets. As part of this work, NPS also used local market intelligence provided by Barker Storey Matthews to suggest out where potential investment opportunities could be sought in order to provide a balanced portfolio and returns in-line with our Investing in Growth aspirations.

2.3.4 The first section of the Plan (Policy Summary (Appendix B1) sets out:

- the description of each asset category;
- how these asset types deliver the Council’s Strategic Priorities;
- the strategic approach for each asset category

The subsequent three sections each cover Acquisitions (Exempt Appendix B2), Estate Management (Appendix B3), and Disposals (Exempt Appendix B4) and sets out the actions for each asset category under each of those headings. Also included in each tab is the overarching approach; potential resource requirements (see **6.1 Financial**); and summary of delegations (see section **2.4**).

2.3.5 There are nine categories of asset set out in the Asset Management Plan, which can be summarised as follows:

<b>1. Operational Property</b>	Property assets used to deliver Council services
<b>2. Commercial Investment and Economic Development</b>	Held to provide commercial revenue returns. Also Promote SME businesses, business growth and support retention of key employers in West Suffolk.
<b>3. Specialist Housing and Homelessness</b>	The Council is not a stock holding authority, however may own properties providing emergency or specially adapted residential accommodation.
<b>4. Barley Homes Pipeline</b>	Land owned or acquired by the Council to be developed out by Barley Homes.
<b>5. Strategic land for Residential and Commercial Development</b>	Land to facilitate any type of development, either directly by the Council for retention, or sold to the market. This includes small parcels of land which may help facilitate wider development.
<b>6. Leisure, Open Space and Recreation</b>	Land and property held for community, leisure and recreational uses.
<b>7. Land for Energy Infrastructure</b>	Land and property used to provide or support energy infrastructure such as solar farms, wind turbines, solar panels on Council owned and third party properties.
<b>8. Land without development potential</b>	Majority of small land parcels owned by the Council normally as the result of legacy and which have no current or potential future value. In many cases this land may also form an ongoing liability for the Council.
<b>9. Options, Overage, Covenants and other agreements on land and property not directly owned by the Council</b>	Interests in land and property not directly owned by the Council. Examples include sold land subject to covenants or containing overage provisions. May also include third party land where the Council retains a liability/ Also includes land under option by the Council.

It is recognised that some assets will cover more than one category and/or be capable of moving between categories, for example an operational asset could become surplus and therefore might become a longer-term strategic land asset.

## 2.4 Delegations

- 2.4.1 When the opportunity arises for the Council to acquire property, commercially-driven companies often do not understand, or do not want to support the Council going through democratic decision making processes before making a decision themselves (e.g., in respect of an offer) due to the perceived time delay. This presents a risk to achieving our strategy, whereby opportunities may be lost whilst concluding the decision-making process. We therefore need to evaluate how we balance this risk against ensuring sound, democratic decisions are made in an appropriate way.
- 2.4.2 Whilst there are established delegations in place for Estate Management (5 year budgets, reviewed annually as part of the budget setting process) and Disposals (constitutional values), there are no specific delegations for acquisitions made from the Investing in Growth Fund, which is where the majority of land and property purchases are proposed to be funded from.
- 2.4.3 When the "Overarching West Suffolk Growth Investment Strategy, Governance and Delegation" was approved by Council on 20 February 2018, the delegations contained in that report for the Investing in Growth Fund were approved but did not apply on property (assets) investments. It was stated that specific delegations would be proposed as part of the development and approval of the Asset Management Strategy. Therefore as part of the developing the AMSaP we have reviewed the levels of delegations for acquisitions, as well as for Estate Management and Disposals.
- 2.4.5 The proposed delegations (which follow the already agreed non-property transactions for the fund) for property and asset transactions are:

Value	Decision Maker	Safeguards
Up to £0.5m	Portfolio Holder and Leader, in consultation with S.151 Officer, Monitoring Officer and Chief Executive  Example decision of this nature – Development/extension of the rent-a-roof solar scheme	The requirements of the current (constitutional) portfolio holder delegation procedure will be followed. This includes that a Member may not make a decision relating to their own ward; local Members should be informed where decisions are made that relate to their ward, and all decisions should be accompanied by a decision notice published at least 5 clear days in advance of the decision, which may be subject to call-in procedures (see below)
Up to £2m	Cabinet  Example decision of this nature – Loan for property development	The current Cabinet procedure would be followed, with decision notices published as required, and a formal agenda at least 5 clear days before the meeting. Meetings are subject to call-in procedures.

Beyond £2m	Council  Example decision of this nature – New solar farm or significant (above £2m) property acquisition	The current Council procedure would be followed. It may be necessary to call extraordinary meetings of Council to ensure that decisions can be made on a timely basis.
------------	--	--

Note that significant property acquisitions or developments outside of the Investing in Growth fund may be referred to Council in line with the current Constitution, such as the Western Way Development full business case was recently.

Note that delegations for the Investing in Growth Fund will supersede the levels set out in the West Suffolk Loans Policy.

- 2.4.6 The proposal is that, with an adopted Asset Management Strategy and Plan and in place, the delegations for acquisitions/property transactions made from the Investing in Growth Fund will be brought into line with the delegations for any other investments made from this fund, i.e. as set out above in 2.4.5.
- 2.4.7 In order to continue to protect the Council’s position and value for the public purse, robust due diligence will be undertaken for every acquisition opportunity identified and taken forward to ensure that any foreseeable risks and mitigations are considered and assessed as part of the business case to support an acquisition or disposal.

## 2.5 Financial matters

### 2.5.1 *Property Acquisitions and Investments*

The majority of property acquisitions and investments will be made through the Investing in Growth Fund, assessed against our policy framework as shown in 2.2. The original £40m fund covers several different investment types in addition to asset and property transactions. Financial returns from property acquisitions, facilitated through this strategy, are an enabler for the Investing in our Growth Agenda funds to deliver on its overall desired blended return (1% above borrowing). Thus enabling projects/property acquisitions with greater social and economic outcomes to be also considered through the fund.

- 2.5.2 When the Investing in Growth Fund was approved in February 2018, it was agreed that the funding to undertake appraisal of opportunities would be funded from the capital allocation itself (the original £40m). This would typically cover officer time spent on appraisal, up-front due diligence and obtaining Red Book valuations. Because the costs of up front feasibility cannot be capitalised until an acquisition is completed, a revenue reserve budget was set up to enable these costs to be underwritten by revenue until such time as they could be capitalised.

- 2.5.3 Whilst most of the opportunities appraised since the start of the Fund have become successful acquisitions which can then be capitalised, in order to comfortably be able to cover the those up-front costs, a top up of the



reserve of £200,000 will be proposed as part of the 20120/21 budget process to support the feasibility elements of asset acquisitions. We anticipate however that the majority will end up being capitalised offering this revenue reserve to revolve supporting a continuous flow of projects.

### 2.5.2 **Property Management and Disposals**

2.5.3 The estate priorities for the next 12 months are set out in the Asset Management Plan. The planned maintenance projects for the next 12 months and more generally across the next 5 years are fully funded from the Council's Building Maintenance Programme (approved as part of the Council budget), with the exception of:

- Leisure assets (replacements/major refurbishments)
- Non urgent footpath repairs left over from our housing stock transfers
- Structural surveys of Parkway and Guineas Multi Storey Car Parks are currently underway and funded by the Building Maintenance Programme, however any identified works are currently unfunded.

A number of Council-owned industrial sites have upcoming lease renewals and have the potential for expansion and development. The building Maintenance Budget only accounts for planned repairs so any development options will be subject to a business case based on return on investment/growth objectives and likely covered from the Investing in Growth Fund following the proposed delegations thereof.

## 2.6 **How the AMSaP will be presented externally**

2.6.1 The Asset Management Strategy will be a public document made available to view on the West Suffolk Council website.

2.6.2 The Asset Management Plan contains commercially sensitive information, including the type and nature of property the Council will be seeking to acquire and assets which may be disposed of. Therefore the two sections of the Plan covering these areas (acquisitions and disposals) will be kept restricted as commercially confidential, whilst the two sections covering the description and policy context and the approach to Estate Management will be made available, like the strategy, through a link on the West Suffolk Council website.

## 3. **Alternative Options**

3.1 The Council has undertaken, through its Strategic Framework, to put in place an Asset Management Plan. This plan has been produced in extensive consultation with the Services across the Council to ensure that it is fully joined-up with existing policies and identifies how assets will help to deliver Service need.

3.2 The alternative option would be not to have an Asset Management Strategy and Plan in place. This would mean that any opportunities would be assessed on an individual basis and not necessarily linked to a given wider strategic objective.



3.3 Furthermore, in not having an integrated approach, opportunities will be missed in undertaking essential maintenance and improvements when an asset becomes vacant on expiry of a lease. A planned scheme of works on known upcoming vacant sites allows us to plan resources to undertake the refurbishment, minimises disturbance to other tenants, and market the unit for lease at a higher rent.

#### 4. Consultation and engagement

4.1 This is set out in the report above.

#### 5. Risks

5.1

<b>Risk</b>	<b>Mitigation</b>
Delegations for acquisitions will result in the Council acquiring property which becomes a liability.	Robust due diligence and financial appraisal will be undertaken to ensure risks are assessed and mitigated against. This work will be undertaken by the Property and Legal professionals employed directly by the Council.
Tenant liquidations could affect revenue streams on property investments.	<p>The covenant strength of each tenant for each opportunity will be reviewed as part of the acquisition due diligence. This includes company searches and a review of any relevant news items related to the performance of that organisation.</p> <p>If an existing tenant is considered high-risk of liquidation or failure to comply with the lease terms, this will be reflected in the price offered and/or be a determining factor in whether to recommend the acquisition.</p> <p>Risk of tenant default on properties within the Council's ownership will be managed through pro-active property management and ongoing landlord and tenant liaison to ensure any potential issues are identified at the earliest opportunity.</p>
Operational Risk	<p>Compliance with health and safety legislation and planned maintenance programmes could result in temporary closure of an asset(s) resulting in loss of income and reputational harm.</p> <p>This will result in failure to adequately manage revenue or capital budgets and to manage income or expenditure resulting in: increased exposure to financial risk; inability to meet budgets or savings targets.</p> <p>Managed effectively, the benefits to tenants and the Council include improvements to productivity and efficiency which places a business in a better position to increase their return on investment</p>
Under performing assets resulting in higher levels of void properties and land assets.	Operational and non-operational assets that are no longer fit for purpose due to location or suitability for its intended use resulting in: service delivery impact, increased costs, higher void rates and loss of income.



## **6. Implications arising from the proposal**

### 6.1 *Financial*

See section **2.5** above.

### 6.2 *Legal Compliance*

There are no direct legal issues arising from the adopting of the Asset Management Strategy. Individual opportunities for investment in assets will be subject to full and robust Legal review and due diligence.

### 6.3 *Personal Data Processing*

The Asset Management Plan and Strategy does not contain any personal data as defined by current GDPR regulation.

### 6.4 *Equalities*

There are no equalities issues arising from this Strategy and Plan.

### 6.5 *Environmental or sustainability*

Opportunities to invest in more sustainable approaches for energy use on the existing Estate will be considered as part of any decision on investment. Also as part of the due diligence process we look at opportunities to enhance the green credentials of buildings we acquire, for example putting solar panels on the roof and looking for more efficient solutions for energy use.

### 6.6 *HR / Staffing*

Potential resource/staffing implications arising from specific asset decisions is set out in the Asset Management Plan (Appendix B). Any requirements will be considered and presented within an individual business plan for that given proposal.

### 6.8 *Changes to existing policy*

This document replaces the previous adopted Asset Management Plan for 2014-19.

## **7. Appendices**

### 7.1 **Appendix A** – Asset Management Strategy

#### **Appendix B** – Asset Management Plan

(Divided into:

B1: Policy Summary

B2: Acquisition

B3: Estate Management

B4: Disposal

Note that Appendices B2 and B4 are Exempt)

## **8. Background documents**

### 8.1 West Suffolk Council Strategic Framework 2018-20: [Click here for link](#)

West Suffolk Growth Investment Strategy: [Click here for link](#)

