

<b>SUBJECT:</b>	<b>Asset Management Strategy and supporting policies</b>
<b>MEETING:</b>	<b>County Council</b>
<b>DATE:</b>	<b>10<sup>th</sup> May 2018</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

**1. PURPOSE:**

To seek approval of the updated Asset Management Strategy, County Farms Strategy and the Asset Investment Policy.

**2. RECOMMENDATIONS:**

- 2.1 To approve the Asset Management Strategy, County Farms Strategy and supporting policies.
- 2.2 To agree to the adoption of the Asset Investment Policy and the approval of up to £50,000,000 of prudential borrowing to fund acquisitions over a three year period.
- 2.3 The delegation of authority to an Investment Committee to approval Business Cases and agree to the acquisition of land and property assets and in line with agreed evaluation criteria and subject to annual performance reviews.

**3. KEY ISSUES:**

- 3.1 The Council last considered its Asset Management Strategy in November 2014. Since that date an inspection was undertaken by Welsh Audit Office in March 2017, a new administration has been elected and a Corporate Plan has been adopted. A recommendation of the WAO review was to revise the Asset Management Strategy, which has now been undertaken to align with Council priorities and to take advantage of developing commercial opportunities.
- 3.2 The strategy has been updated in to provide strategic direction aligned to and reflecting priorities outlined in the Corporate Plan approved by Council in March, which includes the need for a more commercial approach to the management, sale and development of assets. Furthermore the updated strategy reflects most recent legislation and best practice.
- 3.3 The Strategy outlines the Councils vision for managing its property portfolio to support the delivery of front line services, optimize community benefits and maximize financial return through 5 key targeted themes being:

- Service transformation – supporting the transformation of how we deliver services and thought new service delivery models
  - Having an effective and efficient operational estate – managing our operating holding effectively through ongoing rationalization of office accommodation, ensuring consistent application of our agile working approach methodologies, improving energy efficiency of our buildings and ensuring assets are fit for purpose
  - Commercializing our approach – through the adoption of an Asset Investment Policy, delivery of the County Farms strategy, optimizing returns from our existing investment properties, maximizing capital receipts and exploring other commercial opportunities
  - Supporting our communities – through the Community Asset Transfer programme, exploiting opportunities to deliver affordable housing on council owned land, creating self-build opportunities, working with Y Prentis to provide apprenticeships and working with partners to ensure developments are community focused and incorporate SD principles.
  - Greening our estate (sustainable development) – through increased renewable energy generation and the value generated, reducing energy consumption, piloting and exploiting other emerging technologies around hydrogen, electric and hydro.
- 3.4 The Strategy contains a new policy for the acquisition of investment assets. This policy positions the Council in a commercial context providing the framework for the acquisition of income generating assets, which will be measured against a prescribed annual return.
- 3.5 The purpose of the policy is to help sustain Council Services and enhance the asset base by enabling a framework that allows investment in commercial property assets in order to increase the net rental income stream for the Council and to secure potential further capital growth opportunities.
- 3.6 The Council's Corporate Plan 2017 - 2022 identifies five priorities, of which one concerns the Council being "future focused". One of the key measures for this is income generation from commercial investments. This policy will provide the framework for the evaluation of potential commercial property investments.
- 3.7 The intention is to actively seek out investment opportunities within the County of Monmouthshire, City Deal geographical boundary and neighbouring areas of economic influence which will support our economic and regeneration priorities. In order to manage and spread the risk we will also identify investment options beyond our county boundaries which meet our criteria. The intention therefore is to work towards an investment portfolio that allows for a diversification of risk.
- 3.8 Investments will be judged by SLY principles that look at security, liquidity and yield and a wider set of investment and financial criteria. Risks and appropriate mitigations will be appropriately assessed against potential return and wider benefits identified.
- 3.9 It is intended that the acquisitions will be funded through prudential borrowing with a £50,000,000 fund proposed. The cost of the debt will be funded from the rental streams

derived from the property, with a requirement that it will provide a net surplus over and above borrowing costs.

- 3.10 Decision making will be delegated to an Investment Committee which will be made up of senior Members and Officers comprising the Chief Executive, Leader, Deputy Leader, Cabinet Member for Resources, Chief Officer for Resources, S151 officer and Head of Commercial and Integrated Landlord Services. Annual reports on performance will be submitted to Audit committee. It is expected that expert advice will be procured with initial acquisitions to supplement expertise and capacity.
- 3.11 In terms of wider aspects of the strategy Knight Frank were commissioned to undertake a review of the County Farms portfolio and identify opportunities to generate additional income through diversification and re-development. Consultation was undertaken with farm tenants and stakeholders so that all viewpoints could be considered. The proposals will be developed into projects by the Estates team and progress will be monitored through the Landlord Services Business Plan.
- 3.12 New governance arrangements are proposed which will amalgamate the Capital Working Group and Asset Management Group into a single body which will streamline and align financial and property decision making.

#### 4 OPTIONS APPRAISAL

Option	Benefits	Risks	Comments
Do nothing	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>The WAO has already identified the need to update the Strategy and failure to do so will put us in breach of their recommendation.</li> <li>The strategy and plan need to futureproof the management of Council assets and align with corporate priorities.</li> <li>Lack of strategic direction</li> </ul>	Given the WAO recommendation a new administration and Corporate Plan do nothing is not a feasible option.
Implement an updated strategy	<ul style="list-style-type: none"> <li>Provides an updated strategic direction</li> <li>Reflects the Corporate Plan priorities</li> <li>Identifies the need for a more commercial approach to the management, sale and development of commercial assets</li> <li>Reflects updated legislation and best practice</li> </ul>	<ul style="list-style-type: none"> <li>Places additional pressure on limited resources.</li> <li>Acquiring additional investment properties will create risks if market conditions change or voids occur.</li> </ul>	Preferred approach given WAO recommendation and evolving corporate priorities

#### 5. EVALUATION CRITERIA

- 5.1 KPI's will be embedded into the Landlord Services Business Plan which will be monitored on a quarterly basis. Annual performance reporting of investment properties will be submitted to Audit committee.

See Appendix 1 for further information.

## **6. REASONS:**

- 6.1 The prevailing financial climate necessitates an ongoing review of the Councils property estate to wherever possible minimise operating costs, maximise financial and social value and ensure that the policies and portfolio maintain alignment with the Councils priorities and the Medium Term Financial Plan.
- 6.2 The review by Welsh Audit Office recommended that the Asset Management Strategy and governance arrangements be updated. Beyond this there is the need to future proof the service by adopting clear processes, policies and work streams.
- 6.3 The creation of the new Landlord Services team will implement the Strategy and Plan and progress against actions and performance indicators will be monitored quarterly Business Plan.

## **7. RESOURCE IMPLICATIONS:**

- 7.1 The Asset Management Plan sets the framework and policies within which decisions about properties should be made. It is presumed that the Council will continue to release its assets at market value, unless a disposal would meet the criteria required by the General Disposals Consent Order (Wales) 2003 and is in accord with the Community Asset Transfer Policy.
- 7.2 Should the Asset Investment Policy be adopted this would provide borrowing consent for up to £50,000,000 over a three year period. The cost of the debt would be cost neutral as it would be funded through the rental income received in accordance with the policy.

## **8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):**

There are no identified negative impacts arising and the proposal does not have any safeguarding or corporate parenting implications.

## **9. CONSULTEES:**

SLT  
Cabinet  
Head of Legal Services  
Head of Finance

## **10. BACKGROUND PAPERS:**



**Appendix 1  
Cabinet Member Decisions & Council**

**Evaluation Criteria – Cabinet, Individual**

<b>Title of Report:</b>	<b>Asset Management Strategy and Supporting Policies</b>
<b>Date decision was made:</b>	<b>10<sup>th</sup> May 2018</b>
<b>Report Author:</b>	<b>Peter Davies / Debra Hill-Howells</b>

<b>What will happen as a result of this decision being approved by Cabinet or Council?</b>
Adoption of revised Asset Management Strategy and supporting policies including a County Farms Strategy and Asset Investment Policy
12 month appraisal
Was the desired outcome achieved? What has changed as a result of the decision? Have things improved overall as a result of the decision being taken?

<b>What benchmarks and/or criteria will you use to determine whether the decision has been successfully implemented?</b>
KPI's have been proposed which will be monitored through the Landlord Services Business Plan. The Asset Investment Policy has a separate performance framework which will be reported annually into Audit Committee
12 month appraisal
<i>Paint a picture of what has happened since the decision was implemented. Give an overview of how you fared against the criteria. What worked well, what didn't work well. The reasons why you might not have achieved the desired level of outcome. Detail the positive outcomes as a direct result of the decision. If something didn't work, why didn't it work and how has that effected implementation.</i>

<b>What is the estimate cost of implementing this decision or, if the decision is designed to save money, what is the proposed saving that the decision will achieve?</b>
Income targets (capital and revenue) are contained within the Strategy and Landlord Services Business Plan
12 month appraisal
<i>Give an overview of whether the decision was implemented within the budget set out in the report or whether the desired amount of savings was realised. If not, give a brief overview of the reasons why and what the actual costs/savings were.</i>

Any other comments
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