

Report of:	Meeting	Date	Item no.
Cllr Alan Vincent, Resources Portfolio Holder and Marianne Hesketh, Service Director Performance and Innovation	Cabinet	2 May 2018	5

Asset Management Strategy and Action Plan 2018 - 2023

1. Purpose of report

- 1.1 To consider the Council's Asset Management Strategy and Action Plan 2018 - 2023.

2. Outcomes

- 2.1 To deliver the Asset Management programme of works to maximise the return from our assets.

3. Recommendation

- 3.1 That the Asset Management Strategy and Action Plan 2018 - 2023 and its recommendations be adopted.

4. Background

- 4.1 The Asset Management Plan is necessary to deliver one of the key projects identified in the Council's Business Plan 2015 – 2019 (2018 Update) to ensure best use of the Council's property and land and to maximise the return from assets.
- 4.2 Asset management planning is essential in order to ensure that council property, land and assets are demonstrating, value for money, best use and/or fulfilling the core strategic goals adopted by the Council.
- 4.3 The draft strategy and action plan have been discussed with the Overview and Scrutiny Committee before proceeding to Cabinet for adoption.

5. Key issues and proposals

5.1 The AMP (see Appendix 1) sets out key priorities in the following areas:

- Managing Investment Assets – to maximise the income stream by avoiding letting voids within the estate.
- Managing Property (Operational) Assets – ensuring that properties are fit for purpose and are in the right location to serve the people of Wyre.
- Property Maintenance – to ensure that buildings are safe and fit for purpose and to meet statutory requirements.
- Property Disposals – to deliver capital receipts.
- Property Acquisitions – to deliver new assets for the Council's property portfolio

5.2 An initial review of assets based on a financial assessment identified a number of assets which require further work to establish if these assets are suitable for alternative uses or disposal.

Financial and legal implications	
Finance	Maximisation of the Council's assets is considered an essential component of the Council's strategy for addressing the projected funding gap in the Medium Term Financial Plan. Good and efficient asset management will maximise income streams and identify any opportunities for capital receipts which will be required to finance future capital investment.
Legal	Prior to any dealings with land or property thorough checks need to be made as to legal documentation and occupation already in place and that any action proposed is within the statutory framework. Any land or property identified as suitable for disposal would need to be declared surplus. Any proposals for acquisition would incur costs (particularly stamp duty, land tax and registration fees). Legal agreements, notices and documentation will need to be put in place and recorded.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	✓
climate change	x
data protection	x

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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Asset Management Strategy and Action Plan 2018 - 2023

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ASSET MANAGEMENT STRATEGY AND ACTION PLAN 2018 - 2023
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1. Introduction

- 1.1.** The 2018 Asset Management Strategy and Action Plan sets out how the Council's property portfolio will contribute to the Council's main aims/key priorities identified in the Business Plan 2015- 2019.
- 1.2.** Wyre Council operates a substantial property portfolio comprising of 243 assets with a combined asset value of £54.651m at 31 March 2017. Of these 76 are Property Assets with a value of £43.537m, 62 are investment properties with a value of £7.192m, 103 are Community Assets with a value of £3.628m and 2 are Heritage Assets with a total value of £0.294m.
- 1.3.** Asset management planning is essential in order to ensure that Council properties are fulfilling strategic goals adopted by the Council. The Asset Management Plan sets out key priorities in the following areas:
 - **Managing Investment Assets** – Wyre Council is in the fortunate position of owning a varied investment property estate bringing in revenue funds for the Council which increase year on year. It is essential to preserve and maximise this income stream by pro-active property management to minimise letting voids within the estate.
 - **Managing Property Assets** (previously known as Operational) – Ensuring that operational properties are fit for purpose and are in the right location to serve the people of Wyre.
 - **Property Maintenance** - The property maintenance programme will ensure that the Council's buildings are safe and fit for purpose and meet statutory requirements.
 - **Property Disposals** – In order to provide funds for capital projects, capital receipts from property sales are essential. Since 2012 there were £2.495m of capital receipts from Asset Sales which were used for the development of the new Copse Road Depot, investing in our leisure centres and upgrading other assets. As capital receipts are key to funding future capital works it is essential as part of this plan that the Council looks at those assets that are surplus to requirements or that

do not make a sufficient rate of return through rental income in order that consideration can be given to their disposal.

- **Property Acquisitions** – In order to generate future income it may be necessary to explore investment in new assets which would generate a good return for the council, for example industrial units.
- **Value for Money** – Every effort is made to ensure that the Council's Asset Register is up to date so it can be used to inform future decisions. Current Accounting Standards require all assets to be valued at least once every five years with the exception of Investment Properties which are revalued on an annual basis.

2. Strategic Context

2.1. Wyre Council's Business Plan

- 2.1.1.** The Council's Business Plan covers the period 2015 to 2019. This Plan is reviewed annually and outlines the Council's direction for future years. The aim of the Asset Management Strategy and Action Plan is to fulfil the corporate vision set out in the Business Plan – "Together we make a difference" with a priority to "improve the return from our assets". The Asset Management Plan 2018 is a five year plan and will be reviewed each year and adjusted as part of the annual business and financial planning cycle.

3. Overview of Assets

3.1. Wyre Council's Property Portfolio

- 3.1.1.** The Council's property portfolio largely falls under two main categories: Property Assets and Investment Property.

The breakdown of property categories is as shown below:

Category	Number	Asset Value (31/03/2017)
Property Assets	76	£43.537m
Investment Assets	62	£7.192m
Community Assets	103	£3.628m
Heritage Assets	2	£0.294m
Assets Held for Sale	0	0
TOTAL	243	£54.651m

3.2. Property Asset Breakdown

Type	Number
Admin Buildings	1
Car Parks	29
Cemeteries	4
Community Centre	1
Depots	2
Markets	1
Other Operational Assets	8
Sports & Leisure	8
Public Conveniences	22
TOTAL	76

3.3. Investment Type Breakdown

Type	Number
Agricultural	6
Ground Lease	20
Investments	16
Miscellaneous Assets	20
Total	62

3.4. Assets Held for Sale

3.4.1. Provisional work has been undertaken to identify assets that may be suitable for reinvestment or disposal (see Appendix 1).

4. Asset Strategy

4.1. In order to achieve our corporate vision, key work areas have been established for Asset Management, these are:

1. Managing Investment Assets
2. Managing Property Assets
3. Property Maintenance
4. Property Disposals
5. Property Acquisitions

4.2. Managing Investment Assets

4.2.1. The Council's investment portfolio is made up of a wide range of assets including offices, shops/kiosks, a market, agricultural land, industrial units and ground leases. The estimated total rental income for 2018/19 will be £363,890. The portfolio provides essential revenue income with future growth through rent reviews and increasing investment values.

4.2.2. A key challenge over the next five years is to ensure that the estate is managed proactively in order that income opportunities are maximised. The on-going property review exercise will also challenge investment performance and review the reason for holding some assets. It will also look at alternative use where assets may not be fully utilised and where it is considered that there are other opportunities.

4.2.3. Key Objectives

- Property Management to maximise investment return in line with market conditions.
- Minimise letting voids through pro-active property management.
- Performance is challenged continuously and assessments are made in respect of further investment or disposal opportunities.
- Undertake maintenance on a planned basis to maintain asset life, repairs to take into account whole life costing.
- To acquire new properties that generate a financial return for the Council greater than that obtained for alternative non-property investments held by the Council to enhance the income streams outlined above.

4.3. Managing Property Assets

4.3.1. Reviewing service delivery options could impact on asset management. Demand for property following this review may lead to property disposals, acquisitions, new agreements to third parties or "shared arrangements".

4.3.2. The Leisure Review in 2012 identified the need to redevelop existing sites and improve leisure services. Over £6m was invested to create an extreme sports facility for young people at Thornton, a top quality spa facility and dance studio at Poulton and to upgrade existing centres in Thornton and Garstang.

4.3.3. Key Objectives

- To understand the needs/requirements of services to ensure that their property holding is suitable for their requirements and is adequate for future service delivery.

- Acquire new properties where a service need has been identified and is a solution to resolve issues identified in first round suitability surveys.
- To evaluate opportunities for joint working with partners to achieve efficiency savings and integrated service delivery.
- To ensure the majority of repairs are carried out under a five-year planned maintenance programme and that repairs take into account whole life costing.
- To minimise energy and utility running costs and reduce CO2 emissions through energy management.
- To improve assets where opportunities allow for reinvestment.
- To ensure that formal agreements are in place for all Council property occupied by third parties.

4.4. Property Maintenance

4.4.1. The maintenance of Council buildings is managed by the Building Maintenance Team. By assessing the future needs for the Council's buildings, in conjunction with the building managers, the maintenance can be planned in the most efficient and effective way.

4.4.2. The building maintenance revenue budget for the Council's buildings is around £300k per year. Condition surveys identified works estimated at around £1.7m for essential maintenance and £1.2m for desirable works over the medium to the long term (3 - 10 years) period.

4.4.3. Key Objectives

- Provide up to date condition surveys for all council owned buildings.
- To take a planned approach to property maintenance and to shift the focus of maintenance closer to the Royal Institution of Chartered Surveyors (RICS) best practice ratio of 60% (Planned) – 40% (Responsive).
- Carry out a regular review of the planned maintenance and investment schedule.
- To manage compliance with statutory requirements in all council owned buildings.

4.5. Property Disposals

4.5.1. The Council, like all other public sector bodies, is facing a very significant financial challenge. In order to assist with this challenge, the Council must have in place a robust system for

managing its property portfolio so that asset management forms part of a coordinated approach to delivering efficiency savings.

4.5.2. It is imperative that asset management supports the Medium Term Financial Plan helping to optimise revenue and deliver the capital receipts required to fund future investment. Asset management can play a key role in the strategic direction of the Council generating outputs and contributions for the wellbeing of the Borough.

4.5.3. Key Objectives

- To undertake a robust property review, initially investigating the sale of non-income generating assets to minimise income loss as far as possible.
- To agree a disposal programme prioritised on investment performance.
- Investment and disposal decisions are based on thorough option appraisal and whole life costs.
- Achievement of efficiency savings through disposal of underused or surplus operational property.
- The identification and retention of strategic sites pending the realisation of increased marriage value arising from new development proposals.

4.6 Property Acquisitions

4.6.1 As part of the property review exercise it is important to be fully aware of market changes/influences to identify opportunity purchases to assist the Council in meeting its strategic objectives and to bring forward schemes which deliver new assets for the Council's property portfolio.

4.6.2 Key Objectives

- To recommend strategic acquisitions to provide new investment assets for the Council as part of the property review process.

5. Evaluation of Assets

- 5.1.** A fairly simple method of evaluation has been adopted for the first phase of this exercise in that the income generated from the asset has been taken as a % of the Balance Sheet Asset Value for that asset. The costs of operating the asset have also been taken into account.
- 5.2.** Using the agreed criteria some assets have been selected for further assessment and have been included in the Action Plan (Appendix A).
- 5.3.** As part of the overall review, consideration will need to be given to the potential for Community Asset transfers and whether there is an alternative use for the land/asset which could boost the valuation, enhance income generation or support the local economy.
- 5.4.** As part of the current Asset Management Strategy the Council's car parks represent an opportunity for a fundamental review as to whether there are opportunities to generate additional revenue or capital receipts. This review is currently underway.

6. Conclusion and Future Strategic Direction

- 6.1** The Asset Management Plan, linked to the work undertaken to date will ensure that the Council makes the best use of its land, property and assets. Future work will be split into the following phases:
 - Progress work identified in Appendix A;
 - Identify opportunities to generate additional revenue or capital income following the car parks review;
 - Review assets where joint working with other organisations could deliver a better outcome for both parties.
 - Identify opportunities for acquisitions that will deliver a good return for the council.

Appendix A**Asset Management Strategy 2018 – Action Plan**

Actions		2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	On going	Lead Responsibility
1	Continue with property review exercise in order to identify better use of assets or disposal opportunities.						X	Estates
2	All lease renewals to be carried out in timely fashion in conjunction with property review.						X	Estates
3	Carry out a full condition survey of properties in order to assist review process and develop a planned maintenance programme.			X				Building Maintenance
4	Update planned maintenance programme for all buildings.						X	Building Maintenance
5	Explore ways of further reducing the running costs of Council's buildings.		X					Building Maintenance
6	Rationalise office accommodation within the Civic Centre and let out surplus spaces.	X						Project team
7	Explore options for land off Eskdale Avenue, Fleetwood.					X		Estates / Parks and Open Spaces
8	Explore options for land off Croasdale Avenue, Thornton Cleveleys.					X		Estates / Parks and Open Spaces
9	Explore options for land off Tarnway Avenue, Thornton Cleveleys.					X		Estates / Parks and Open Spaces
10	Explore options for land off Hargreaves Street, Thornton Cleveleys.					X		Estates / Parks and Open Spaces
11	Explore options for land off School Lane, Out Rawcliffe.		X					Estates
12	Progress Masterplan for development of land at Bourne Hill, Thornton Cleveleys	X						Project team
13	Explore the opportunity to invest in new assets which would generate a good return for the council, for example industrial units.	X						Estates
14	Explore options following the car park review.	X						Project team
15	Explore options for Cleveleys Bus Station.	X						Project team
16	Explore options for North Drive bowling green.				X			Parks and Open Spaces / Estates
17	Explore options for theatres.	X						Commercial Manager
18	Review of Skippool Berths.				X			Project team