

<b>Cabinet Member for Finance and Resources</b>	<b>Ref No: FR06(18/19)</b>
<b>July 2018</b>	<b>Key Decision: Yes</b>
<b>Asset Management Policy and Asset Management Strategy</b>	<b>Part I:</b>
<b>Report by Executive Director Economy, Infrastructure and Environment</b>	<b>Electoral Divisions: All</b>
<p><b>Summary</b></p> <p>An Asset Management Policy and Asset Management Strategy have been developed to set out the principles and objectives that will guide the Council's approach to the management of its property estate - land and buildings (excluding highways). The Strategy includes a high level action plan.</p> <p>The Policy and Strategy documents are appended to this report.</p>	
<p><b>West Sussex Plan: Policy Impact and Context</b></p> <p>The County Council provides services to more than 850,000 residents every day and the West Sussex Plan sets out how the County Council plans to shape its services for the next five years, focusing on:</p> <ul style="list-style-type: none"> <li>• Giving our children and young people the best start in life;</li> <li>• Ensuring West Sussex is a prosperous place;</li> <li>• Our communities will be strong, safe and sustainable;</li> <li>• We will support you in later life to remain independent; and,</li> <li>• We will be a council that works for our communities.</li> </ul> <p>A key element of achieving our goals as a council is how we use all our resources, including 980 assets, and 5500 acres of land with a book value of over £1.4bn. How we invest in, deploy and manage these assets must be attuned to these priorities and support the delivery of our services.</p> <p>To support this the County Council is proposing the adoption of a new Asset Management Framework which comprises:-</p> <ul style="list-style-type: none"> <li>• An Asset Management Policy</li> <li>• An Asset Management Strategy</li> </ul>	
<p><b>Financial Impact</b></p> <p>There are compelling financial incentives for the County Council to manage its estate effectively and efficiently. It needs to avoid unnecessary expense in keeping buildings that are not fit for use or are surplus to requirements. Equally, each asset has a value and if they are no longer required, the County Council might be able to sell them to unlock that value and use the money elsewhere. The County Council may need to invest in new assets to ensure it provides services fit for the future and to maximise benefit to the people of West Sussex. The Asset Management Policy and Asset Management Strategy set out the County Council's approach to managing</p>	

its property portfolio.

## **Recommendation**

That the Asset Management Policy and Asset Management Strategy are approved.

## **PROPOSAL**

### **1. Background and Context**

- 1.1 The County Council has an interest in over 1,300 plots of land totalling in excess of 5,500 acres with 980 establishments included within these plots. The CIPFA book valuation of the establishments (insurance re-build value) is £1.4bn.
- 1.2 Assets are fundamental to the efficient and effective operation of County Council services – providing accommodation for staff, making services accessible to the local community, generating income and enabling development and service contributions by third parties.
- 1.3 The Asset Management Strategy ensures that assets are used efficiently and sustainably to provide suitable accommodation in appropriate locations to enable the County Council to deliver services and to generate revenue and growth

### **2. Proposal Details**

- 2.1 The Cabinet Member for Finance and Resources is being asked to approve the adoption of the Asset Management Policy and the Asset Management Strategy. Both documents are appended to this report. The Asset Management Policy has the following aims and objectives:-

#### Aim

- To ensure that assets are used efficiently and sustainably to provide suitable accommodation in appropriate locations to enable the County Council to deliver services and to generate revenues and growth.

#### Objectives

- To plan and manage property as a corporate resource for the benefit of the people of West Sussex.
- To provide the right property, fit for purpose, in the right place, to meet current service needs and plan for the future.
- To acquire, manage, maintain and dispose of property effectively, efficiently and sustainably, whilst optimising financial return and commercial opportunities.
- To use land and buildings to stimulate development and growth.
- To promote joint working where it will provide benefit for service delivery and in securing efficiencies.

- 2.2 The Asset Management Strategy provides a framework to link service planning with assets work. As this develops viability studies will be

commissioned to test ideas and ultimately a pipeline of potential capital projects will be identified, which will feed the future capital programme. As part of this process, surplus assets will also be identified for disposal.

## **FACTORS TAKEN INTO ACCOUNT**

### **3. Consultation**

- 3.1 All services have been engaged in the development of the Asset Management Policy and Strategy.
- 3.2 The Cabinet Member for Finance and Resources, the Leader and the Cabinet have been consulted on the proposals.
- 3.3 The Performance and Finance Select Committee has been consulted on the proposals.
- 3.4 There has been no public consultation. When changes are proposed to specific assets, e.g. arising from service reconfigurations, appropriate consultation arrangement will be put in place.

### **4. Financial (revenue and capital) and Resource Implications**

- 4.1 The asset strategy in depth analysis has identified over 400 potential asset opportunities to either meet an evidenced service demand or to achieve a revenue or capital saving. These opportunities require high level viability studies and additional asset data (e.g. market valuations and condition surveys) in order to evaluate the benefits and costs/risks associated with each opportunity. The findings of this activity will determine which opportunities should be taken further.
- 4.2 On 15 December 2017, the County Council approved a five-year Capital Programme for 2018/19 – 2022/23 totalling £800.5m, of which £599.4m related to the non-highways assets in the scope of the Asset Strategy.

	Current Year 2018/19 £m	Year 2 2019/20 £m	Year 3 2020/21 £m	Year 4 2021/22 £m	Year 5 2022/23 £m	Total 2018/19— 2021/22
Capital budget (non-highways)	98.6	111.0	122.2	121.3	146.3	599.4
Change from proposal	0.0	0.0	0.0	0.0	0.0	0.0
<b>Remaining budget</b>	<b>98.6</b>	<b>110.0</b>	<b>122.2</b>	<b>121.3</b>	<b>146.3</b>	<b>599.4</b>

- 4.3 Implementation of the Asset Management Strategy is likely to generate capital receipts as surplus assets are disposed of. In preparing the capital programme conservative estimates have been used, and business cases will be required to demonstrate how any capital receipts will be achieved. Where projects will generate sufficient net revenue savings, the County Council may seek external borrowing to fund projects as Income Generating Initiatives, subject to any borrowing constraints the Council chooses to

adopt. All investments are subject to the approval of a business case in accordance with capital governance rules.

- 4.4 The review of the property services function has been completed and the new staffing structure includes a Head of Assets and a reconfigured Assets Team to lead the work programme outlined in the Asset Management Strategy.
- 4.5 The technical work identified, such as condition surveys, market valuations and feasibility studies will be procured through the Multi-Disciplinary Consultant appointed in July 2018. The base budget for this activity in 2018/19 is £1m with additional one-off allocation of £0.8m

	Current Year 2018/19 £m	Year 2 2019/20 £m	Year 3 2020/21 £m	Year 4 2021/22 £m
Revenue budget	1.8	1.0	1.0	1.0
Change from proposal	0.0	0.0	0.0	0.0
<b>Remaining budget</b>	<b>1.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

## 5. Legal Implications

- 5.1 None

## 6. Risk Assessment Implications and Mitigations

- 6.1 The risk is the Asset Management Policy and Strategy are not completed by July 2018. This decision mitigates this risk. The County Council has not updated its asset strategy since 2011.

- 6.2 Until the Asset Management Policy and Strategy are in place, there could be risks that:

- the County Council will make inconsistent or poor decisions about its property estate;
- capital and revenue investment in assets (including maintenance) may not be directed where they can have the most impact;
- assets are not located or configured to meet present and future service needs.

## 7. Other Options Considered

- 7.1 An audit report recommendation from May 2016 required the development of an Asset Management Strategy; no other options have been considered.

## 8. Equality and Human Rights Assessment

- 8.1 The Equality Duty does not need to be addressed, as this report deals with an internal or procedural matter only.

8.2 Human Rights Assessment is not applicable

## **9. Social Value and Sustainability Assessment**

9.1 The Asset Management Policy and Strategy provide significant opportunities to improve the County Council's environmental and sustainability performance.

9.2 There will be opportunities for savings, efficiencies and income generation as the Asset Management Policy and Strategy provides a basis for improved management of the property estate.

9.3 There will also be opportunities to utilise a local supply chain to add Social Value through works identified to develop, improve and maintain the property estate.

## **10. Crime and Disorder Reduction Assessment**

10.1 Not applicable

### **Lee Harris**

Executive Director Economy, Infrastructure and Environment

**Contact Officer:** [Elaine Sanders, Strategic Asset Manager 0330 2225605]

### **Appendices**

**Appendix A - Asset Management Policy**

**Appendix B - Asset Management Strategy**

**Background papers** - none