

ASSET MANAGEMENT STRATEGY

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1. Summary

- 1.1 Cabinet members are asked to approve Shropshire Council's new Asset Management Strategy which provides the clear principles, ethos and goals of the Council in the management of its property including land and buildings. It sets out the clear outputs and outcomes which are required to deliver the Council's wider transformation through modernising its Estate to make sure it is fit for purpose and supports the Council's key aims in delivering excellent front line services.

2. Decision

- 2.1 To approve the Council's new Asset Management Strategy.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The risk in not setting a coherent strategy to deliver the required rationalisation of the Council's use of the Estate, alongside our desire to raise revenue from surplus assets, are primarily associated with the inability to make the necessary revenue savings and income contributions in future years, and the inability to generate sufficient capital receipts to support the capital programme
- 3.2 There are also risks associated with short term tactical decisions involving property development or disposal that do not take into account the needs of customers, the requirements for service transformation, current and future commercial and development value, the whole life cost of property and the need to make assets more environmentally sustainable, more financially viable and better used in terms of space and occupancy.
- 3.3 Impact on Children and Vulnerable Adults, Risk Management, Human Rights, Equalities, Community and other Consultation will be inherent in the property review and asset planning which will be instigated and driven by the overarching strategy.

4. Targeted Outcome

4.1 Purpose:

1. Reduce net revenue cost to Shropshire Council of assets and land to less than £1m per annum by March 2017.
2. To raise net revenue income to Shropshire Council derived from assets and land to £10m by March 2020.

5. Financial Implications

- 5.1 The Council must save £80 million across 2014/15 and 2016/17 from its revenue budget together with generating sufficient capital receipts to support the capital programme of circa £14 million across each of the two years 2015/16 and 2016/17.
- 5.2 If assets are not managed and maintained in an appropriate way they become liabilities on the Council's revenue account.
- 5.3 A clear strategy assessing return on investment of the Estate will assist in providing revenue for the Council to invest in Services in the future.
- 5.4 The Council's disposal programme has not always funded capital investment of a revenue generating nature. In the coming year's consideration will need to be given to acquiring assets which can provide an income stream to support the Council's operational activities.

6. Background

- 6.1 The Asset Management Strategy has been revised to be more accessible and more focused on activity and outputs to facilitate the rapid change and evolution required to support the initiation of a commissioning Council.
- 6.2 The key principles are:
 1. Shropshire Council is to itself use a little of its assets to support its operations as possible. The Commissioning Council should target operating from a zero administration assets base and only acquire assets that are absolutely necessary.
 2. All assets owned by Shropshire Council and not utilised in its operations should be exploited to the maximum.
 3. Any asset used in the operation of Shropshire Council and not generating income, should only be retained if the value is expected to increase significantly and above the general price index of inflation pertaining to that type of land or property.
 4. Through prudential borrowing or otherwise liquidating non income generating assets, acquire new income generating assets.

- 6.3 The detailed Asset Management Strategy (Appendix A) sets out the aims, objectives, principles, criteria and standards to effectively manage the Council's land and property portfolio and ensure it is fit for purpose for the needs of local people, staff and future generations. The strategy and property review protocols contained within it will ensure that the suitability, viability and sustainability of land and property is carefully considered before decisions are taken to invest, divest or dispose of property owned or leased by the Council.
- 6.4 The Asset Management Strategy is clear, coherent and progressive to ensure the estate is appropriately managed to deliver corporate priorities and service delivery needs over the next four years.
- 6.5 The strategy endorses the approach that Property and Assets are a corporate resource through an appropriate landlord model.
- 6.6 The strategy seeks to act as an enabler for the Council to embrace new ways of working through flexible and efficient use of its administration accommodation.
- 6.7 The strategy seeks to establish the future framework for investment, planned maintenance, estate management, revenue generation and support to commissioning and economic growth.

7 Alternative Options and Appraisal

- 7.1 The Council should have a strategy to comply with its responsibilities for asset and estate management. The alternative is to have no governance or strategic planning for the estate which would result in a significant financial burden associated with the poor maintenance, operation and tactical management of the Council's property and land.
- 7.2 The alternative is to have service lead asset plans which are fragmented and do not reflect the overall priorities of the authority.
- 7.3 The recent internal audit report of asset management recommended that the asset management strategy be updated and agreed at cabinet.

8. Additional Information

- 8.1 Section 7 the corporate asset management plan is the operational and tactical plan which will be dictated by the objectives of the overall strategy document. The plan is currently in draft and will be an insert within the overall document enabling it to be updated and monitored regularly by directors and the appropriate portfolio holders. Due to the dynamic nature of the operational plan it is not envisaged that this will be approved by cabinet but will be a standing item for the member and officer board which reviews assets.
- 8.2 A detailed action plan will be created to identify actions which can be taken to progress towards the targets set out in this report.

9. Conclusions

- 9.1 Cabinet is requested to approve the new Asset Management Strategy for immediate implementation.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Local Member
All

Conflicts of interest declared by members

Appendices

Appendix A – Asset Management Strategy