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ASSET MANAGEMENT STRATEGY 2020 - 2025

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1. Summary

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. The strategy is essential to enable property decisions to be made in line with the Council's Corporate Plan. These property decisions need to be transparent, and subject to robust challenge. They need to be effective at both operational and strategic level. The Asset Management Strategy provides a framework that sets out how and why these property decisions will be made, and how the process is co-ordinated to involves service areas, portfolio holders, members, local businesses and the community. All of this is in a context of statutory compliance, best practice, sustainability, and innovation.

2. Recommendations

- 2.1 To approve the Council's new Asset Management Strategy 2020 - 2025 as attached at Appendix A.

REPORT

3.0 Opportunities Appraisal and Risk Assessment

- 3.1 The current strategic risks in not setting a coherent strategy to deliver the required rationalisation of the Council's use of the Estate, alongside the Council's desire to raise revenue through effective asset management, are primarily associated with the inability to make the necessary revenue savings and income contributions through shrewd property investment, 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 innovation, current and future commercial and development value, the whole life cost of property and the need to make assets

more environmentally sustainable to support the climate emergency agenda, 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. The risks and impacts on these areas will be considered fully as part of the review and planning process under this strategy. The production of an Equality and Social Inclusion Impact Assessment will be critical in the development of the Corporate Asset Management Delivery Plan, referred to in Section 9.
- 3.4 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.
- 3.5 Section 4 sets out the targeted outcomes for the strategy which provides the framework and approach to determine how the Council shall rationalise its estate and retain, acquire and invest in its assets to run its services more innovatively, effectively and efficiently. This brings forward the clear strategy and opportunity to bring forward effective asset management for the planned period.

4. Targeted Outcome

- 4.1 Purpose and key objectives as set in the draft strategy are set out below:
- 4.1.1 To generate and diversify revenue streams through effective property investment. Led by the Council's Commercial Strategy the Investment plan will generate new and durable income streams through the both the re-development or repurposing of its existing assets or the acquisition of new assets which will deliver a strong financial yield
- 4.1.2 To reduce our carbon footprint and promote sustainable asset management. Recognising the importance of the climate emergency sustainability is absolutely key to the new strategy.
- 4.1.3 To generate receipts to support our capital programme. Rationalise and reduce the estate to deliver receipts and support the Council's capital aspirations
- 4.1.4 To treat all assets strategically and corporately.
- 4.1.5 To demonstrate value for money and fitness for purpose. The continuous review of the Council's assets is required to ensure they are suitable and sufficient to support the Council's functions and objectives.
- 4.1.6 To enable dynamic and effective service delivery. Through effective service asset management planning the Council will retain fit for purpose assets which strongly align to service delivery.

- 4.1.7 To drive transformation to work more flexibly and efficiently, aligning with new delivery models. Creating fit for purpose administration accommodation at a critical mass to ensure staff are supported through digital transformation and back office savings continue to be delivered driving efficiency.
- 4.1.8 To reduce revenue impacts. Optimising the estate to reduce the burden of repairs and maintenance and reducing operating costs.
- 4.1.9 To maximise opportunities of working with the wider estate. Working with public sector partners remains a key driver to drive out innovation across the public estate and creates the real opportunity for savings linked to new ways of working.
- 4.1.10 To empower communities to thrive. Promoting, releasing and working with communities to improve resilience and allowing the use of assets by the community to deliver change.
- 4.1.11 To recognise the importance of the Council's role as custodian of community and heritage assets, and the importance of supporting regeneration projects which were not commercially viable but have a positive impact for local communities or supported environmental issues.
- 4.1.12 To further develop the excellent partnership working relationships enjoyed by the Council and remain agile in terms of making the best possible property investment decisions.
- 4.2 In summary the Asset Management Strategy should support and enable the delivery of the Council's Corporate Plan and priorities and be cognisant of the other major strategies which are in place or under development.

5. Financial Implications

- 5.1 If assets are not managed and maintained in an appropriate way they become liabilities on the Council's revenue account. Failure to identify appropriate revenue and capital monies to continually invest in the Estate will result in a reduction in property related income and will erode effective service delivery with an inadequate and potentially unsafe operational portfolio.
- 5.2 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. This will be set out clearly in the Corporate Asset Management Delivery Plan, referred to in Section 9.
- 5.3 The Council's disposal programme has not always funded capital investment of a revenue generating nature. The new Asset Management Strategy alongside the refresh of the Commercial Strategy now requires a significant property investment programme to generate durable income streams for the future which can justify appropriate borrowing where supported by robust business planning, appraisal and evaluation in accordance with the Council's Capital, investment and Financial Strategy and HM Treasury Guidance.
- 5.4 Asset led transformation offers one of the biggest opportunities for the Council through innovation and rationalisation to deliver both direct and indirect savings, new income streams and capital receipts across the planned period of the strategy.

6 Climate Change Appraisal

- 6.1 The strategy identifies the importance and significance of the Climate Change Strategy Framework approved by full Council on the 19th December 2019. This identifies the risks posed by the current climate crisis to Shropshire and to the Council specifically, our current carbon footprint and the initiatives which are already being planned and implemented in response.
- 6.2 The document also identifies a set of clear objectives and principles to guide future corporate actions and a description of the process and programme through which the Council will take its response to the Climate Emergency forward through the development of a Climate Emergency Strategy in Spring 2020. Shropshire Council will use its experience to work with others and provide community leadership to help reduce Shropshire's overall carbon footprint.
- 6.3 Once adopted, the Strategy will be implemented through a 'live' Action Plan which will prioritise the investments and interventions which will prove most effective in reducing Shropshire Council's carbon footprint and building our resilience to the climate crisis. The importance of this is recognised as a key local and national policy driver and is present throughout the strategy and interrelates to a number of the planned outcomes.

7. Background

- 7.1 The Asset Management Strategy has been revised to be more relevant and focused to support innovation and the Council's key strategies whilst delivering asset led transformation for the authority.
- 7.2 The detailed Asset Management Strategy 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.
- 7.3 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.
- 7.4 The Strategy continues to endorse the approach that Property and Assets are a corporate resource through an appropriate corporate landlord model. The alternative is to have service lead asset plans which are fragmented and do not reflect the overall priorities of the authority.
- 7.5 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. The expectation being that costs associated with the administrative estate will reduce as staff work in a more mobile and agile way.

7.6 The Strategy seeks to establish the future framework for investment, planned maintenance, estate management, revenue generation and to support economic growth.

8. Additional Information

- 8.1 The Strategy under the section 'Measuring Success' sets out the requirement for a Corporate Asset Management Delivery Plan which is the operational and tactical plan which will be dictated by the objectives/planned outcomes of the overall strategy document. The plan will be put in place to provide the delivery criteria and detailed objectives of the strategy. Due to the dynamic nature of this plan it is not envisaged that this will be approved by Cabinet but will be a standing item for review by officers and Cabinet on an annual basis. This will encompass a detailed action plan to identify actions which can be taken to progress towards the overarching outcomes set out in this report.
- 8.2 The Corporate Asset Management Delivery plan will set out the requirement to review all the Council's assets against the framework and outcomes of the Strategy. This will be the single most significant review of its assets for many years and will match each and every property or land holding against its appropriate portfolio. This will be the primary driver for change and will engender consolidation rationalisation, investment or disposal. This process will be undertaken in conjunction with the service asset management planning process to reduce the back office property requirements of the Council.
- 8.3 The Corporate Asset Management Delivery plan will confirm the determinants for each portfolio and will create the key indicators for change endorsed in line with strategies outcomes and outputs. It will provide clear principles for each portfolio to allow the clarity of objectives to suit the Council mandate and drivers for holding a particular type of property. This will allow the clarity for agile strategic, operational and tactical management aligning back to the core mandate for ownership, the sustainable financial model and clear distinction between market intervention and return. This will optimise savings and return set against an appropriate level of risk. The growth of a portfolio needs to be mapped against the durability of its yield over a given period matching the portfolio retention rationale. The portfolio management will map the strengths, weaknesses, opportunities and threats within the context of the micro and macro property climates of Shropshire. The Strategy and delivery plan will strive to map out the interdependencies, connections and overarching mechanics of the portfolios to achieve as far as practical an equilibrium across the Council's estate.
- 8.4 The Strategy under the section 'Measuring Success' sets out the requirement for a Corporate Repairs and Maintenance Strategy which will be created and reported through to Cabinet annually. This will set out and provide the delivery plans for future maintenance, shrewd financial expenditure based on ensuring the estate is maintained appropriately with a real focus on compliance and sustainability enhancement.

9. Conclusions

- 9.1 Cabinet is requested to approve the new Asset Management Strategy 2020 - 2025 for immediate implementation.

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

Performance Management Scrutiny Committee Report 13 November 2019
Performance Management Scrutiny Committee Report 24 July 2019

Cabinet Members:

Cllr Steve Charmley, Deputy Leader and Portfolio Holder for Assets, Economic Growth and Regeneration

Local Members:

All Members

Appendices:

Appendix A: Shropshire Council Asset Management Strategy 2020 - 2025