

## **Economy and Growth Committee**

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<b>Date of Meeting:</b>	17 January 2023
<b>Report Title:</b>	Corporate Asset Management Plan
<b>Report of:</b>	Peter Skates, Director of Growth and Enterprise
<b>Report Reference No:</b>	EG/03/2022-23
<b>Ward(s) Affected:</b>	All Wards

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### **1. Purpose of Report**

- 1.1.** The requirement for an Asset Management Plan (“AMP”) is set out in the Constitution of the Council. The report sets out how the Asset Management Plan will be used to manage its Land and Property over the period 2022 to 2025.
- 1.2.** The content is directly linked to the Council’s Aims of Open, Fair and Green. As the Council uses physical assets to deliver its services, it also is directly linked to the Council’s priorities of being an open and enabling organisation, a council which empowers and cares about people and a thriving and sustainable place. However, the most important factor is that the Council is transparent in its property dealings and therefore this report directly responds to the Council being an open and enabling organisation.

### **2. Executive Summary**

- 2.1.** The requirement for an Asset Management Plan is set out in the Constitution of the Council.
- 2.2.** The Council’s current Corporate Asset Management Plan was created in 2015 with a plan period of five years and therefore the plan needs to be updated. This update was delayed by the pandemic.
- 2.3.** The Economy and Growth Committee responsibilities includes the development and delivery of the Council’s Estates, Land and Physical Assets Policies. The Council’s Head of Estates is responsible for

maintaining and regular reporting of the Council's Asset Management Strategy.

- 2.4. In November 2021, the Economy and Growth Committee received a report, Asset Management Plan Principles, which provided context and elements of the Council's proposed Asset Management Plan. It provided information that increased the Committee Members understanding of the process and potential approvals that may be required and set out the principles of an asset management plan.
- 2.5. The Council Corporate Plan for the period of 2021 to 2025, sets out its aims and priorities for the plan period. The Council's aims are to be open, fair and green and its priorities are an open and enabling organisation, a Council which empowers and cares about people and thriving and sustainable place. The development of the Asset Management Strategy captures these aims and priorities as the core values of the Strategy and its alignment to the current corporate plan.
- 2.6. The Council in delivering an asset management strategy is transparent and open about the activities that it is undertaking relating to land and sets out the projects, strategies, procedures and protocols that are relevant to the plan. These activities are part of the Council's solution to address inequalities, promote fairness, opportunity and support vulnerable residents whilst also addressing the other factors that the Council has to deliver whilst dealing with property. The crosscutting themes of the environment, the climate emergency and the Council's ambitions relating to sustainable development are also a significant factor to the way the Council deals with its property. It is clear from the plan that the Council's estate is key to the delivery of the Council's ambition for Cheshire East.
- 2.7. This report presents the Council's proposed Asset Management Plan, following on from the Asset Management Plan Principles Report, for the plan period of 2022 to 2025. The plan period of three years is to allow realignment with the normal cycle of planning, synchronises with the end of the Council's Carbon Management Strategy and Corporate Plan. It will also allow an opportunity to reconsider the Council Land and Property needs once the challenging signals in the economy that affect land and property sector have settled.

### **3. Recommendations**

- 3.1. It is recommended that the Committee approves the Corporate Asset Management Plan and notes the outcomes of the previous Corporate Asset Management Plan.

### **4. Reasons for Recommendations**

- 4.1. The Councils Asset Management Plan ("AMP") sits alongside the Medium Term Financial Strategy ("MTFS") as a key document in supporting the

Councils' decision making about investment in its land and property assets to deliver the Councils' properties and services.

- 4.2. CIPFA ("Chartered Institute of Public Finance and Accountability) guidance advises Councils to agree an Asset Management plan as part of their budget strategy from 2020/2021. CIFA's guidance on asset management includes ensuring that councils regularly review their need for property with operationally or strategically.
- 4.3. The Council's Corporate Asset Management plans was agreed in July 2015 by Cabinet. At that time, it was envisaged that the report would be updated regularly as there may be significant progress and change over the course of the plan to require an update. It is important that the plan is updated regularly to ensure it is useful in supporting capital investment decisions which will deliver the MTFS priorities.

## 5. Other Options Considered

- 5.1. There is no legislative requirement for the Council to have an asset management plan, it is regarded as good practice to have one. Therefore, the Council could choose not to have an asset management plan in place. The asset management plan lasts until 2025 and can be refreshed periodically. If this does not occur, the plan will not reflect the most recent changes and the plan will not be as helpful in the development in the Councils budget strategy.

Option	Impact	Risk
<b>Do nothing</b>	<p>The Council would not have an asset management plan in place and would not be compliant with the constitution.</p> <p>It would delay the implementation of the actions of the Asset Management Plan</p>	The Council would not be an open and transparent organisation.

## 6. Background

- 6.1. The Council has a continued commitment to creating a vibrant local community with a strong local economy and good provision of infrastructure, housing and employment, Buildings are important in creating a sense of place and property assets which the Council owns make a contributions to creating sustainable communities, this presents the Council with the challenge of reviewing its property portfolio to ensure that it is optimised in terms of its resources and so that it can contribute to community needs and

the Council's budget. The AMP describes the Council's assessment management policy and practice and provides a baseline on property and land matters and supports capital investment decisions identified in the Medium Term Financial Strategy ("MTFS")

**6.2.** It identifies the key strategic policy and resources influences affecting the Council and sets out parameters for asset management over the medium term. The plan has a five-year horizon with regular reporting on progress. The Asset management plan is intended to demonstrate efficient use of assets and that property is effectively managed and for purpose: the plan will be used to;-

- help to guide decisions making about capital investment decisions in Council property to support the Council objectives
- help identify land and property which is surplus to requirement for current purposes and help guide decisions about the future use of the land or property
- support decisions on acquisitions and disposals
- indicate where reviews will be required to ensure best use of assets in the future.

**6.3.** The objectives of the AMP are;-

- Deal with the impact of Climate Change
- Deliver services to the Community and Customers of the Council
- Deliver a compliant Estate with appropriate governance systems
- Enabling and delivery of an efficient Council
- Delivery of Economic Growth in Cheshire East
- Enabling the delivery of quality of place

**6.4.** These objectives will:-

- Ensure the Council's land and property assets support the Council's objectives include considering use of land housing growth and to ensure Council's assets are used to support economic growth.
- Create a strategic framework for asset management to be able to support decisions about prioritising capital investment.
- Ensure the council's operational assets are fit for purpose for service delivery and the assets are reviewed at a local level with paths to improve service provision in communities.
- Reduce the council's environmental impact arising from its asset use or development.

- Maximising income opportunities and reduce asset running costs to support the MTFS.
  - Ensure the Council's property is in good condition and compliant with all relevant health and safety requirements, equalities and access policy and standards to ensure accessible for people with disabilities.
  - Ensure that during 2022-2025 the Plan will develop an integrated capital strategy to incorporate outcomes of service area plans.
  - Highlight the need to develop an access policy and guidance.
- 6.5.** Land and Property is the largest element of the Council physical asset base, valued at c.£500 million, excluding infrastructure. The Council owns a diverse property portfolio. These are
- Operational- those support direct service provisions
  - Investment- those providing a positive financial return
  - Surplus- property no longer used in service provisions which are vacant or sublet
  - Strategic land or property with growth and regeneration potential
- 6.6.** The diverse property estate is spread throughout its administrative area. The majority of the estate is operation land used directly for services which the Council has a statutory duty or discretionary responsibility. The Council holds land adopting a corporate landlord approach for the management and ownership of its assets. This enables the Council to utilise its assets to deliver its services for residents and communities, deliver physical projects, generate investment return, and where assets are no longer required be reused for different purposes or unlocking the value of assets for reinvestment in the capital programme. The corporate landlord approach also allows the Council to be fair to residents only using the resources it needs to deliver its services. The formation of a Corporate Asset Management Plan is a key element to enabling this activity. A copy of the Corporate Asset Management Plan 2022 to 2025 can be found at Appendix A.
- 6.7.** The purpose of an asset management plan is to align the asset portfolio with the needs of the organisation. The Council has recognised the benefits of an Asset Management Plan, specifically incorporating the need to have one in its Constitution. The needs of the Council at a high level are expressed in its corporate plan. These are then converted into actions through the asset management plan. The needs of an organisation, such as a Council are complex and at times at a transactional level may appear to be competing. An asset management plan also needs to understand the complexity of the

Council's needs. The asset management plan aids the Council to deliver its aims and objectives as they relate to the Council's Land and Property in an assured and consistent way.

- 6.8.** The Council's previous asset management plan was for the years 2015 to 2020. The Council has been delayed in generating an updated asset management plan whilst the Council focused on pandemic response.
- 6.9.** The environment the Council finds itself in has changed radically since 2015, becoming increasingly challenging, which in turn has an impact on the Council's land and property assets, for example;
  - 6.9.1. Like all local authorities and other government services, Cheshire East Council is in general experiencing an increased demand for its services, but with reduced resources to deliver these services. This has become more evident as the Country recovers from the impact of the pandemic.
  - 6.9.2. During the pandemic, the already growing and inevitable trend toward digital has been accelerated with consumers increasingly accessing the goods and services they need in this way. This has accelerated pre-existing trends in the commercial property market and also driven the residential market as well. However not all residents have the ability to access services through digital means and the Council has sought to consider these factors in its Digital Strategy. The consequences of the pandemic from a land and property perspective will take time to work through.
  - 6.9.3. The Council has also proven the value that can be obtained from differing styles of working and therefore it is reasonable to prepare the Council for a more hybrid style of working post pandemic, which in turn will have property implications.
  - 6.9.4. The construction and maintenance of physical assets is also meeting a challenge with the cost of goods and services related to construction increasing significantly. This is due to a number of factors, but principally one of increased demand and insufficient supply.
  - 6.9.5. Energy security and cost is increasingly having an impact on the day to day lives of residents and also the Council. The reasons for instability in the energy market are global and outside the control of the Council.
  - 6.9.6. The implications of the UK's decision to exit the European Union is still being worked through, particularly in the Farming sector, where the Government plans to replace the CAP with a UK alternative. Offering opportunities, it will also have implications for the Council as an owner of Farmland.
- 6.10.** In addition to these day to day challenges the Council has also recognised the significant global implications of climate change and in 2019 looked to play its part in addressing the climate emergency, seeking to become carbon neutral by 2025 and therefore looking to build on and accelerate previous

success in this area. Further to this the Council has also accepted the challenge of the Borough becoming carbon neutral by 2045, where it will have to take a clear leadership role in delivering this ambition.

- 6.11.** Changes to legislation and regulation have also had an effect on the way the Council could choose to use assets. For example, the Council has prudently tracked the Government's emerging position on Public Works Loan Board borrowing. As a consequence, it is not likely that the Council would seek to acquire assets purely for investment purposes over the plan period and this is reflected in the plan.
- 6.12.** The Council has also developed a number of policies that have an impact on the way that the Council uses its assets. For example, the Community Asset Transfer Framework and the Housing Development Framework look to achieve best value outcomes for property assets rather than achieving best consideration through a Capital Receipt. The Corporate Asset Management Plan identifies these differing needs for assets, generating a framework to derive the overall best solution for the Council in a pragmatic and consistent way.
- 6.13.** Despite these changes and challenges since 2015, the Council has achieved good progress against the Corporate Asset Management Plan for the previous plan period. A non-exhaustive commentary about performance against the previous asset management plan is set out in Appendix B. Although some of these have been reported previously it is worth noting the following key successes;
- 6.13.1. Release of just under £43m since 2015 / 16 Financial year, releasing over 120 properties to their future economic uses and supporting assets for future economic use and supporting the Council's Capital Programme in line with the MTFs.
- 6.13.2. Delivered a wide range of physical projects ranging from Crewe Lifestyle Centre, Environmental Waste Hub and Composting plants, numerous school expansion projects in Congleton, Sandbach, Crewe, Alsager, Nantwich and Macclesfield.
- 6.13.3. Achievement of a compliance score for Council Accommodation of 97% in 2021, building from 87% in 2018, continuing to keep our workforce safe undertaking various statutory inspections, including legionella and removing over 7.8 tonnes of Asbestos from the Council's estate, since 2018.
- 6.13.4. The Council has also made good progress on carbon neutrality both prior and following the introduction of the Carbon Neutral Plan.
- 6.13.5. The Council has also improved the understanding of its ownership of property, developed improved governance systems and improved its ability to take decisions about land and property. In addition,

the Council has enhanced its ability to scrutinise matters relating to land and property through the development of the Committee system.

## **7. Consultation and Engagement**

**7.1.** The Corporate Landlord has engaged with a wide range of services in the development of the Corporate Asset Management Plan. A report setting out the principles behind asset management planning and those used for the Corporate Asset Management Plan has been presented previously to the Committee.

Members were consulted on the asset management plan between 02<sup>nd</sup> September and 16<sup>th</sup> October and their comments and observations were worked into the plan.

## **8. Implications**

### **8.1. Legal**

**8.1.1** The Council has a number of powers to acquire land for its various functions and also to dispose of land those power include general powers under the Local Government Act 1972 and the Localism Act 2011.

**8.1.2** Holding property assets creates a variety of liabilities, some of which are irrespective of active use. Liabilities include legislative ones – for example, the liability to pay rates on a variety of properties, both domestic or non-domestic. There are also actions that are those of a prudent property owner such as keeping the property in reasonable repair to prevent legislative liability arising – such as under the Occupiers' Liability Act 1984 and making sure that the property does not become the source of a private or public nuisance; There are contractual ones that may arise through the use of property such as landlord's obligations when a property is let. The Council has a number of powers to acquire land for its various functions and also to dispose of land. Those powers include general powers under the Local Government Act 1972 and the Localism Act 2011.

**8.1.3** All actions involving the disposal or acquisition of property assets must be taken in accordance with the Council's Constitution current at the time of taking the decision. The Council's Constitution (December 2021) Chapter 2, Part 5, Paragraph 53 currently delegates to the Executive Director of Place authority to acquire and dispose of assets and requires that:

**8.1.3.1** Under Chapter 3, Part 4, Section 4, Paragraph 42 The Chief Finance Officer and the Executive Director Place must be consulted on all proposed acquisitions and disposals of land and property

**8.1.3.2** Under Chapter 3, Part 4, Section 4 in the Budget and Policy Framework Procedure Rules Acquisition and disposal of land and property over £2 million is the responsibility of the Finance Sub-Committee; and below £2m is



a member of the Corporate Leadership Team in consultation with the Chief Finance Officer and the Executive Director Place.

- 8.1.4 The Council operates a "Cascade" principle of delegation under Chapter 2 of the Constitution to ensure that decisions are taken at an appropriate level.
- 8.1.5 It is recognised good practice for local authorities to produce and implement an Asset Management Plan to enable the Council to manage, develop and rationalise their built and land assets.
- 8.1.6 The Localism Act 2011 introduced the General Power of Competence, which allows the Council to do anything an individual can do, provided it is not prohibited by other legislation. These powers have replaced the previous wellbeing powers; however, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles.
- 8.1.7 The Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way which is accountable to local people and when land is being disposed of it should be ensured that the land is disposed of for best consideration. In instances where land is disposed of at less than best consideration the Council is providing a subsidy to the occupier of the land. In such cases the Council must ensure that the nature and amount of the subsidy complies with Subsidy Control rules.

## **8.2. Finance**

- 8.2.1. The net book value of the Land and Buildings estate is £487 million. This includes £29 million of Investment properties, managed on a commercial basis with the aim of generating a medium to long-term return on investment.
- 8.2.2. Many capital investment projects are related to the Council's fixed assets, such as its stock of buildings. Needs and priorities identified in the Asset Management Strategy will require consideration for inclusion in the Council's Capital Programme and have wider financial consequences. Equally important is the opportunity to generate capital receipts from the disposal of land/property where there is no current or likely future operational need.
- 8.2.3. The asset management strategy will therefore link up with the capital strategy and map out the Council's longer-term requirement for the successful management of the asset base and more importantly the ambition for the expected future asset base.
- 8.2.4. When prioritising investment it is essential to understand the long term cost of maintaining and operating existing assets and their fitness for purpose, having consideration of which are deemed essential in continued service delivery or which can be considered for alternative uses.
- 8.2.5. The backlog of maintenance in some key assets is recognised and alternative approaches to longer term solutions will be considered to address

the risks this poses rather than continued investment by the Council in the same assets. This is neither an effective asset management approach nor affordable in the long term. These will be considerations in key assets such as schools and administrative buildings required for the long term.

8.2.6. A disposal strategy is in place to relinquish or find alternative beneficial uses for assets deemed surplus to requirements.

8.2.7. Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment or offset future debt or transitional costs.

8.2.8. The Council will continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case is made available, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities.

8.2.9. Capital receipts have been an important source of finance in previous financial years. However, in considering the 2022/23 capital programme, a prudent approach has been taken and there has been no assumption of any significant additional capital receipts. A minimum amount of £1.0m additional capital receipts has been anticipated in 2022/23. The Council's current strategy is to realise net receipts of £4.0m for the period 2022/23 to 2025/26 and that these receipts will reduce the overall Capital Financing Budget.

### **8.3. Policy**

8.3.1. This paper provides the Committee information directly relating to the role of the Committee, enabling it to undertake its functions as set out in the constitution.

8.3.2. The Corporate Asset Management Plan firmly establishes the link between the Council's Corporate Plan, the MTFs and other Capstone plans and policies and how the Council will deal with its assets.

### **8.4. Equality**

8.4.1. This is an information report that describes the Council's activity in developing an Asset Management Plan. It does not consider any property transactions, specific projects, or policies. Equality implications are considered at the point of creation of a specific business case or project and therefore an Equality Impact Assessment is not required to support this report. It is however noted that there is an opportunity to shape the direction of the Council's approach to its assets in the formulated Corporate Asset Management Plan.

## **8.5. Human Resources**

**8.5.1.** None.

## **8.6. Risk Management**

**8.6.1.** The risks associated with management of risk for property are dealt with on a case by case basis, at a project and programme level. There is a general risk that the Council with limited resources is not able to achieve all its objectives that it would hope in delivery of its asset management plan. This will be dealt with by prioritising where appropriate the various needs of the Council and risks are escalated where appropriate.

## **8.7. Rural Communities**

**8.7.1.** The Asset Management Plan supports programmes of activity that link directly to the Council's Corporate Plan which in turn helps deliver the Council's Aims and Priorities in rural communities. This includes the management and delivery of activity on the Farms Estate, where new entrants into farming are given the opportunity to start their farming careers. Other elements of Policy such as the Community Asset Transfer Framework can give communities the opportunity to have greater involvement in their communities. The section on the Rural Action plan in the AMP articulates the important linkage between Rural Communities, the Council's land and property assets and their use.

## **8.8. Children and Young People/Cared for Children**

**8.8.1.1.** The Asset Management Plan supports programmes of activity that directly link the Council's Corporate Plan, which in turn delivers the Council's Aims and Priorities through the delivery of the Council's Corporate Asset Management Plan Objectives. The range of activity will have an impact on this sector of our community, for example the use of council land to deliver affordable homes or understanding the barriers to customers accessing digital services very much drive the objectives and outcomes and actions of the Corporate Asset Management Plan.

## **8.9. Public Health**

**8.9.1.** The Asset Management Plan supports programmes of activity that directly link the Council's Corporate Plan, which in turn delivers the Council's Aims and Priorities through the delivery of the Council's Corporate Asset Management Plan Objectives. For example it considers the inequalities across the borough that is articulated in the Joint needs assessment (the Tartan Rug) in the delivery of the Council's services through its physical assets.

## **8.10. Climate Change**

**8.10.1.** Climate change implications are considered on a case by case basis for each project requiring using physical assets, acquisition or each disposal activity. However, by setting Climate change at the centre of the

asset management plan this will allow the council to emphasise the specific issue as part of the overall development of the asset management plan.

<b>Access to Information</b>	
Contact Officer:	Andy Kehoe, Head of Estates Andy.kehoe@cheshireeast.gov.uk 07973 892082
Appendices:	A – Corporate Asset Management Plan B – Performance against previous CAMP
Background Papers:	None.