

Economy and Growth Committee

Date of Meeting:	30 November 2021
Report Title:	Asset Management Plan - Principles
Report of:	Director of Growth and Enterprise
Report Reference No:	EG/09/21-22
Ward(s) Affected:	None

1. Executive Summary

- 1.1.** This report provides context and elements of the Council's proposed Asset Management Plan. This report provides information that will increase understanding of the process and potential approvals that may be required. It highlights the policy principles of an asset management plan.
- 1.2.** The Economy and Growth Committee responsibilities includes the development and delivery of the Council's Estates, Land and Physical Assets Policies.
- 1.3.** The Council's Head of Estates is responsible for maintaining and regular reporting of the Council's Asset Management Strategy.
- 1.4.** The Council's current Asset Management Plan was created in 2015 with a plan period of five years and therefore the plan needs to be updated.
- 1.5.** This report generates the opportunity for members to overview the principles of an Asset Management Plan and enable Members to consider the proposed content and the overall direction of any future draft asset management plan.

2. Recommendations

- 2.1.** Notes the report, and outcomes since the previous Asset Management plan as identified in paragraph 5.9.

- 2.2. Approves the process and the timetable for a draft Asset Management Policy to be brought back to Committee for endorsement.

3. Reasons for Recommendations

- 3.1. The Economy and Growth Committee is responsible for development and delivery of the Council's estates, land, and physical asset policies.
- 3.2. In addition, the Economy & Growth Committee has responsibility for the oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management for the Directorate of Growth and Enterprise, including the Council's Estates service.
- 3.3. The Head of Estates is responsible for managing and regular reporting of an Asset Management Strategy.
- 3.4. The Finance Sub Committee has responsibilities for property transactions including the buying selling and appropriation of land and property (including compulsory purchase where required).
- 3.5. An asset management plan is the key document that aids an organisation to deliver activity that relate to its land and property.
- 3.6. An Asset Management Plan will be presented to the Committee in the next 6 months and therefore Committee members having early sight of the policy principles is a prudent step to take.

4. Other Options Considered

- 4.1. The aim of the report is to provide information to the Committee to improve their understanding of the issues surrounding the creation of an asset management plan and seek their endorsement to the approach. As a result the only alternative would be not to provide a report, however this would not be aligned to the Council's corporate plan priority of being an open and enabling organisation and members would not be in a position to consider the issues in the report prior to being presented a draft report for endorsement.

5. Background

- 5.1. The Council in delivering its aims and priorities, set out in its Corporate plan undertakes property transactions as part of its routine business. The Corporate plan sets out three aims to be Open, Fair and Green and has priorities which are an Open and Enabling Organisation, that empowers and cares about people and delivers a thriving and sustainable place. Land and Property assets are intrinsically linked to the aims and priorities of the Council.
- 5.2. 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 formation of an Asset Management Plan is a key element to enabling this activity.

- 5.3.** 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.
- 5.4.** 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.
- 5.5.** 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;
 - 5.5.1.** 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.
 - 5.5.2.** 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 evident trends in the commercial property market and also driven the residential market as well.
 - 5.5.3.** The construction and maintenance of physical assets is also meeting a challenge with the cost of goods and services related to construction increasing significantly, due to a number of factors, but principally one of increased demand and insufficient supply. Most recently this has also impacted energy markets where limited supply and increased demand has led to a significant spike in energy costs.
- 5.6.** In addition to these day to day challenges the Council has also evolved its thinking and way it is organised. It has 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. It has also adopted a new Corporate Plan and also changed its governance arrangements, with the adoption of the Committee System.

- 5.7.** 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 borrowing from the Public Works Loan Board. As a consequence, it is not likely that the Council would seek to acquire assets purely for investment purposes over the plan period.
- 5.8.** 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 Delivery Framework look to achieve best value outcomes for property assets rather than achieving a simple capital receipt, giving best consideration. The asset management plan will look to identify these differing needs for assets, generating a framework to derive the overall best solution for the Council.
- 5.9.** Since 2015 and despite of these changes and challenges, the Council has achieved a number of noteworthy successes. These include;
- 5.9.1. Release of over £25m of assets for future economic use and generation of Capital Receipts to support the Council's Capital Programme in line with the MTFS.
 - 5.9.2. 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.
 - 5.9.3. Removal of 18.2 tonnes of asbestos from the Council's Estate
 - 5.9.4. Full statutory compliance checks across all Council operational buildings, with a 96.81% compliance rate in 2020, despite COVID restrictions.
 - 5.9.5. All maintained schools are to have a compliance inspection in the 2020/21 academic year, improving statutory compliance standards and protecting the Council, as duty holder.
 - 5.9.6. Purchase of green electricity across the whole Council estate, including schools and street lighting.
 - 5.9.7. A 69.2% decrease in carbon emissions between 2009/10 and 2020/21. 29.5% of this decrease has been between 2017/18 and 2020/21.
 - 5.9.8. The Council has also improved assurance around property transactions by the instigation of an assets board and the management and assurance around the capital programme with the instigation of a capital programme board. The relationship between the Council's asset management plan and the Capital Programme is set out in the financial implications in this report. It also describes the strategic relationship between assets, capital investment and revenue implications of operating and managing assets is set out.

- 5.10.** Currently the Council's asset base is £1,071m with £421m of this being land and buildings and £29m of its land and buildings are investment assets. The majority of assets held by the Council are used for the delivery of its services.
- 5.11.** Despite the circumstances of the council, the changes it has experienced and the challenges it faces, the basic principles of asset management remain very much unchanged during this time. A summary of draft set of policy principles are set out in Appendix A. This appendix also sets out examples of how the Council's Strategies, Procedures and Protocols link into these principles. These proposed principles are:
- 5.11.1. Dealing with the impact of Climate Change.** This captures the Council's Corporate aim of GREEN and cross cuts the Council's three priorities. In 2019 the Council set itself the target of being Carbon Neutral by 2025. The immediate effect that the Council wishes to have is to mitigate its own impact, but it also wishes to influence those in its supply chain and more widely Cheshire East. This is a challenging and demanding target, which has implications for the Council's property portfolio and therefore must be a policy principle for the asset management plan. It includes revising the way energy for the councils buildings is generated and used, using the Council's land for offsetting and insetting for example generation of carbon efficient power and planting projects.
- 5.11.2. Delivery of Economic Growth in Cheshire East.** Responding to the Council's corporate aim of FAIR and is directly linked to the Council's priority of delivering a thriving and sustainable place. Although Cheshire East should be proud of its economic performance overall both regionally and nationally, there is a high level of inequality across the borough in addition to this the community is also split between its urban centres and its rural communities. It stands to reason that delivery of Economic Growth should be a principle for the asset management plan.
- 5.11.3. Delivery of services to the Community and Customers of the Council.** This responds principally to the Council's Corporate aim of FAIR. At its centre the Council is an organisation that delivers services to the community it serves. Therefore, this touches on the Council's three priorities as well. The Council and its residents have also experienced the unprecedented challenges created by the pandemic, which in many instances, although by no means universally, has accelerated new ways of accessing goods and services and changing the ways of working for many. The full impact of this acceleration is not yet fully understood but it is clear that land and property have a role to play in the delivery of services alongside other solutions and therefore this should be a principle of the asset management plan.
- 5.11.4. Enabling and delivery of an efficient Council.** This proposed principle responds to the Council's Corporate aim of FAIR and touches on the Council's three priorities. By statute and practice the Council, as a custodian of public money seeks to deliver, with limited resources an

efficient Council. The Council also seeks to achieve this with its land and property assets. Therefore, this should be a principle under the asset management plan.

5.11.5. **Compliant Estate with appropriate governance systems.** As an owner of land the Council has certain obligations towards its property and therefore it must comply with certain regulations. In an increasingly challenging climate where funding of capital and revenue for the Council is challenging care needs to be exercised to ensure that these activities are completed and therefore this principal must be part of the plan.

5.11.6. **Enabling the delivery of a sense of place.** This principally focuses on the Councils corporate aim of FAIR and the corporate priority of a thriving and sustainable place. The Council is a significant stakeholder in the Borough, with statutory duties relating to a range of services it delivers. It also has land and property and statutory powers to make a difference at a local level. Therefore this priority should be considered as part of the plan.

5.12. The format of an asset management plan is relatively straight forward and a proposed format is set out at appendix B. In general, an asset management plan will, cover the themes set out, with potentially specific elements tailored to suit specific organisations.

5.12.1. Executive summary

5.12.2. **Governance for decisions / Structure of responsibility / Stakeholders for consultation.** This will set out the current governance and structure of responsibility.

5.12.3. **Scope** (land and property, define categories). This will describe the estate in general terms: it is noted that the Council already provides information on its estate though its transparency pages.

5.12.4. **Strategic alignment.** This section describes the linkage between the Council's Corporate Plan and the Asset Management Plan. Given the Council's Land and Property Assets also have a value, it will demonstrate the linkage between the use of assets and the MTFS. It will also consider the linkages to the following non exhaustive list;

5.12.4.1. Customer Experience

5.12.4.2. Sufficiency statement

5.12.4.3. Farms Strategy

5.12.4.4. Economic Regeneration Strategy

5.12.4.5. Environmental Strategy

5.12.4.6. Workforce Strategy

5.12.5. **Asset portfolio description and inventory** This section describes in detail the asset portfolio within the scope of the AMP. This will cover areas

such as asset type, reason for holding the asset, use, value and costs, condition and limitations.

- 5.12.6. **Pipeline of Activity.** This will cover the processes and activity that the Council undertakes with its land, for example community asset transfer, assessment of need, acquisition and disposals pipeline and a Maintenance and Development horizon.
- 5.12.7. **Risk management** is a key factor for the Council in the way it delivers its property in part due to the Council wishing to deliver its statutory responsibility but then also to deliver a quality environment for its employees and residents. Issues such as insurance and self-insurance, service risk and market trends and market forces are factors to consider.
- 5.12.8. **Performance measures / Benchmarking** An approach which is recommended for this Council's asset management plan is to develop a series of actions and also a requirement for annual reporting to the Committee to monitor progress against the plan. This approach is key in that it will drive delivery ensuring that the plan is central to the way the Council delivers activity for its estate.

6. Implications

6.1. Legal

- 6.1.1. 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.
- 6.1.2. 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.
- 6.1.3. 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 (June 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:
- 6.1.3.1. Under Chapter 3, Pt 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

- 6.1.3.2.** Under Chapter 3, Part 4, Section 4 paragraph 4.44 of the Finance Procedure Rules acquisition and disposal of land and property over £2 million is the responsibility of the Finance Sub-Committee; and below £2m has been delegated to senior officers who are a member of the Corporate Leadership Team in consultation with the Chief Finance Officer and the Executive Director Place.
- 6.1.4.** The Council operates a “Cascade” principle of delegation under Chapter 2 of the Constitution to ensure that decisions are taken at an appropriate level. 6.1.4 Whilst not yet in force, the Government has announced plans to introduce the “Right to Regenerate” making it easier for the public to challenge councils and other public bodies to release land for development. Under the proposals, public bodies would need to have clear plans for land in the near future.
- 6.1.5.** It is recognised good practice for local authorities to produce an Asset Management Strategy, which includes the implementation of an Asset Management Plan to enable the Council to manage, development and rationalise their built and land assets.
- 6.1.6.** The Asset management Plan provides a structured process to ensure value for money from property in serving the needs of the organisation. Property assets are expensive, in terms of both their capital value and annual maintenance and running costs. They need to be carefully managed over their lives to ensure best value through their use, maintenance and generation of income. By having an Asset management plan, the Council will be adhering to the Corporate plan and the requirements for the plan as set out in the Constitution (chapter 3 part 4 section 4 paragraph 4.38).

6.2. Finance

- 6.2.1.** The Council has an asset base valued at £1,071 million, the majority of the estate is Land and Buildings valued at £421 million. It also holds £29 million of Investment properties, managed on a commercial basis with the aim of generating a medium to long-term return on investment.
- 6.2.2.** 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.
- 6.2.3.** 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.

6.2.4. 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.

6.2.5. 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.

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

6.3. Policy

6.3.1. 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.

6.4. Equality

6.4.1. 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 the and therefore a 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 Asset Management Plan.

6.5. Human Resources

6.5.1. None.

6.6. Risk Management

6.6.1. 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.

6.7. Rural Communities

6.7.1. None directly. The Asset Management Plan supports programmes of activity that the Council undertakes to achieve its aims and priorities.

6.8. Children and Young People/Cared for Children

6.8.1. None directly. The Asset Management Plan supports programmes of activity that the Council undertakes to achieve its aims and priorities.

6.9. Public Health

6.9.1. None directly. The Asset Management Plan supports programmes of activity that the Council undertakes to achieve its aims and priorities.

6.10. Climate Change

6.10.1. None directly. Climate change implications are considered on a case-by-case basis for each project requiring 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.

Access to Information	
Contact Officer:	Andy Kehoe, Head of Estates Andy.kehoe@cheshireeast.gov.uk
Appendices:	A – Policy Principles B – Proposed headings for Asset Management Plan
Background Papers:	None.

Appendix A – Policy Principles

Council Theme	Policy Principle	Strategy, procedure and protocol (from the list below)
Green	Dealing with the impact of Climate Change	Carbon Neutral Council by 2025
Fair	Delivery of Economic Growth in Cheshire East	HS2 Town Centre Regeneration and TCVP / Regeneration plans Highway Schemes
Fair	Delivery of services to the community and customers of the Council	Community Asset Transfer Framework Events on Council Land Housing Development Framework OPE
Fair	Enabling and delivery of an efficient Council	MTFS Estate Optimisation, improving the financial position of the Council, review of assets (Eg Estate Transformation, Strategic Leisure Review, Disposals programme, Farms Strategy, Surplus asset process) Support to Services
Open	Compliant estate delivered with appropriate governance systems	Events on Council Land Statutory Compliance and H&S Implementation of revised property system Corporate Landlord model
Fair	Enabling the delivery of a sense of place	Quality of Place

Appendix B – An Asset Management Plan Example Headings

Executive summary

Governance for decisions / Structure of responsibility / Stakeholders for consultation

Scope (land and property, define categories)

Strategic alignment

- Corporate Plan
- Customer Experience
- Sufficiency statement
- Farms Strategy
- Economic Regeneration Strategy
- MTFS
- Environmental Strategy
- Workforce Strategy

Asset portfolio description and inventory

This section describes in detail the asset portfolio within the scope of the AMP.

Pipeline of Activity

- Assessment of need
- Acquisition / Disposals pipeline
- Maintenance / Development horizon

Risk management

- Insurance / Self-Insurance
- Market forces
- Service risk

Performance measures / Benchmarking

- Actions
- Annual Reporting