

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	21 <sup>st</sup> July 2015
<b>Report of:</b>	Executive Director of Economic Growth and Prosperity
<b>Subject/Title:</b>	Strategic Asset Management Plan
<b>Portfolio Holder:</b>	Cllr Don Stockton, Regeneration and Assets

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### 1.0 Report Summary

- 1.1. Cheshire East Council has ambitious growth plans and is taking a proactive approach to the strategic use of its assets. There are plans (subject to revision) to create at least 31,000 jobs and 36,000 new homes by 2030 with major new infrastructure projects in development.
- 1.2. In addition, the Council is undertaking some major schemes to enhance public services such as developing a Lifestyle concept and creating Community Hubs. . These innovative projects will provide the opportunity for the integration of the services that citizens need in relation to their lifestyle all in one place. This is exemplified in the £15m Crewe Lifestyle project which is currently in the construction phase and proceeding at pace.
- 1.3. Cheshire East Council has a land and property portfolio worth over £485m; a net asset management budget of £17m and an annual capital building programme of approx. £15m - £20m. The Council is one of the largest business rates payers in the Borough and there is a priority that the asset review reduces this liability, to enable funds to be diverted back into front line services. As a Council, we have already reduced our business rates liability over the past 18 months , through a strategic review of the estate and land building disposal, by over £500k ( 17% ) , and the accelerated rationalisation programme will challenge this even further.
- 1.4. It is essential that the council continues to drive value for money into its use of assets, and provides innovative solutions to reducing our total spend on the running costs of buildings and holding costs of properties, reducing our rates liability, whilst at the same time providing the platform for economic growth.
- 1.5. This asset rationalisation, creating future development opportunities aligns to the Council's strategic objectives, in particular outcome 2 – *Cheshire East has a strong and resilient economy*. Through the newly created Regeneration and growth team, assets will be used to increase business rates into the Borough, creating inward investment and growth opportunities. The asset rationalisation will also make a significant

contribution to finding suitable housing sites for the Borough

- 1.6. The Council's other major initiative is the creation of the development Company Engine of the North which has a significant role in rationalising the council's estate, and bring strategic sites to the market to encourage economic growth. The council will continue to use this innovative joint venture, reviewing its current structure to provide a model which has sufficient capacity to drive forward and deliver the challenging agenda of asset rationalisation and asset release.
- 1.7. The task of aligning the assets cannot be achieved without a clearly defined strategy and delivery plan in respect of the 2,350+ assets the council currently owns. The current Strategic Asset Management Plan (SAMP) was produced shortly after the creation of Cheshire East as a unitary authority in 2009 and is now in need of thorough revision in order to reflect the changed circumstances in which the authority is now operating.
- 1.8. Independent consultants Montagu Evans were commissioned in May 2014 to deliver this fully refreshed strategy and delivery plan and this is now presented for Cabinet's approval and subsequent implementation.

## **2.0 Recommendations**

Cabinet is asked to agree:

- 2.1 That the new Strategic Asset Management and Delivery Plan be approved.
- 2.2 That officers be authorised to implement the plan subject to the need to get member authority for key and other major decisions.

## **3.0 Reasons for Recommendations**

- 3.1 The political and financial landscape in which the council operates has changed significantly since Local Government Reorganisation in 2009. The SAMP written at that time was intended to cover the period 2009-2014 and would therefore be due for a rewrite even without those changes in circumstance.
- 3.2 The new SAMP reflects both those external changes and the changes in the Council's own priorities and desired outcomes. Specifically it incorporates the following elements:
  - Context
  - Assets and Influences
  - Strategic Action Plan
  - Performance and Review
- 3.3 Unless a new SAMP is adopted there is a risk that Services will be working to an outdated plan that potentially conflicts with some of the council's current

aims and objectives causing confusion, inefficiencies and failed delivery of other change activity.

- 3.4 There are other element of the Assets change initiative, such as developing a new delivery model, which are dependent and cannot be properly achieved without the clear vision, strategy and plan that the SAMP brings.

#### **4.0 Wards Affected**

- 4.1 All wards

#### **5.0 Local Ward Members**

- 5.1 All Members

#### **6.0 Policy Implications**

- 6.1 The SAMP implementation contains a number of elements that have corporate policy implications. These are discussed more fully in the document itself but are summarised below:

- Increase the Council capital receipts programme to support investment
- Reduce the Council Business rates costs whilst at the same time increasing third party Business rates into the Council.
- Reduction in leased estate
- Embedding flexible working practices
- Improved customer contact
- The councils Energy framework
- Energy efficiency savings
- Developing sustainable buildings
- Supporting town centre activity

- 6.2 The project is identified in the Councils Three Year plan as part of the major change programme to re-define the council's role in the commissioning and delivery of services.

- 6.3 The Council seeks to support economic growth within the area and as a consequence needs to have an assets strategy and services which support and assist those who wish to invest in the area and which stimulates intelligent use of local assets which puts residents first.

#### **7.0 Financial Implications (authorised by the Chief Operating Officer)**

- 7.1 The Council currently owns over 2,350 assets with a net book value of £485m. These include 512 operational assets and 1800+ land assets, both large and small. The council also has a challenging capital receipts programme of £25m for 2015/16 which will be driven from the asset rationalisation programme.

- 7.2 The SAMP will be delivered within existing resources, however will seek to reduce the revenue spend on running and holding costs. The SAMP will also set out the strategy for delivery of the capital receipts programme and inform future medium term financial planning, in that regard.

## **8.0 Legal Implications (authorised by the Head of Legal Services)**

- 8.1 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.
- 8.2 The General Disposal Consent 2003 authorises the disposal of land for 7 years or more at less than best consideration if the undervalue is £2million or less, if the undervalue is higher than £2million consent to the disposal is required from the Secretary of State.
- 8.3 The Council has the power to grant a lease of the land pursuant to s123 of The Local Government Act 1972 subject to any disposal for 7 years or more being at the best consideration that can reasonably be obtained.
- 8.4 Notwithstanding the above powers the Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way which is accountable to local people.
- 8.5 All disposals must comply with the European Commission's State aid rules. When disposing of land 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 the amount of the subsidy complies with State aid rules, failure to comply means that the aid is unlawful and may result in the benefit being recovered with interest from the recipient. If the occupier receives less than approximately £143007.41 (at 21/6/15 exchange rates (200,000 Euros) ) in state aid over a 3 year period then the De Minimis Regulation will apply (small amounts of aid are unlikely to distort competition).
- 8.6 Acquisitions will also be subject to similar means of accountability to include best value being obtained. State Aid considerations may fall to be considered, and in some transactions the complexity may involve procurement legislation, and application of the contract procedure rules, for due diligence information/material, depending on each particular set of circumstances.
- 8.7 Relevant consideration will have to be given for each transaction to the level of authority required under the Constitution. As the need arises, moving forwards, appropriate legal advice will be given tailored for the specific transactions falling to be considered.
- 8.8 The variety of assets owned by the council is large, ranging from grass verges and allotments to corporate office buildings. The ownership details are similarly complex and include both leasehold and freehold titles. The legal

implications of the SAMP are therefore significant and will require appropriate resourcing to deliver the implementation plan. Legal services will therefore be fully represented on the team responsible for that delivery.

## **9.0 Risk Management**

- 9.2 This work is one workstream within the over-arching Assets Change project. As such the risks for this project are detailed within the overarching risk log which is owned and managed by the project delivery team. The team has established appropriate mitigating actions and monitors each risk on a regular basis in accordance with the Council's project management methodology.
- 9.4 Corporate risks are those that have the potential to cause corporate concern. Where necessary any project risks that fall into this category will be identified from the project risk register and escalated to the corporate Risk Management Group for consideration, monitoring and inclusion on the Corporate Risk Register. The Corporate Leadership Board ensures that actions and recommendations within the Corporate Risk Register are implemented.
- 9.5 The Audit and Governance Committee is responsible for keeping under review the effectiveness of the risk management, control and governance arrangements. Audit and Governance Committee receives a quarterly update on the Corporate Risk Register and considers any changes to the corporate risks and their ratings. Cabinet also receives quarterly monitoring reports and an annual report on the Corporate Risk Management.

## **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

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