

## Summary Sheet

### Council Report

Overview and Scrutiny Management Board – 22 November 2017.

### Title

Alignment of the Asset Management Policy and Strategy to the Medium Term Financial Strategy

### Is this a Key Decision and has it been included on the Forward Plan?

No.

### Strategic Director Approving Submission of the Report

Damien Wilson, Strategic Director of Regeneration and Environment.

### Report Author

Louise Murray, Strategic Asset Manager

### Ward(s) Affected

All

## Executive Summary

This report details the various key elements and objectives of the Asset Management Policy and Strategy and the Medium Term Financial Strategy, how they align in the delivery of the Council's corporate objectives and transformation plans and in addition how they support effective budget management.

### Recommendation

That the linkages between the Asset Management Policy and Strategy and the Medium Term Financial Strategy are noted.

### List of Appendices Included

Appendix A - Asset Management Policy and Strategy – 2017 to 2025.

Appendix B – Exempt Financial Information

### Background Papers

Asset Management Policy and Strategy 2017 – 2025, Cabinet and Commissioners' Decision Making Meeting, 15<sup>th</sup> May 2017.

Medium Term Financial Strategy 2016 – 2019, Cabinet and Commissioners' Decision Making Meeting, 23<sup>rd</sup> February 2016.

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

None

**Council Approval Required**

No

**Exempt from the Press and Public**

*An exemption is sought for Appendix B under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains sensitive commercial information with regards to the potential acquisition of land and negotiation strategy which could disadvantage the Council if the information were to be made public.*

*It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the parties' commercial interests could be prejudiced by disclosure of this commercial information.*

## **Alignment of the Asset Management Policy and Strategy to the Medium Term Financial Strategy**

### **1. Recommendation**

- 1.1 That the linkages between the Asset Management Policy and Strategy and the Medium Term Financial Strategy are noted.

### **2. Background**

- 2.1 The Asset Management Policy and Strategy 2017 to 2025 was approved at the Cabinet and Commissioners' Decision Making Meeting on 15<sup>th</sup> May 2017. It was agreed at that meeting that an update report would be submitted to the Overview and Scrutiny Management Board in November 2017 detailing the links between the Policy and Strategy and the Medium Term Financial Strategy.
- 2.2 The Asset Management Policy and Strategy contains five over-arching objectives:
- Objective 1: Enabling delivery of the Council's services and priorities.
  - Objective 2: Supporting Economic Growth, Housing Growth and Town Centre Regeneration.
  - Objective 3: Maximising the opportunities that are available through the adoption of "one public estate".
  - Objective 4: Developing growth income from commercial/non-operational activities.
  - Objective 5: Maximising the range of benefits through the commissioning of property projects and property services.
- 2.3 The Strategy also includes the expected outputs for each objective and the high level actions which will be taken to deliver them. The detailed Action Plan is in the process of being completed and the three documents – the Policy, the Strategy and the Action Plan – will together form the Asset Management Plan (AMP).
- 2.4 The Asset Management Plan will provide overall guidance in respect of the wide range of assets held by the Council, delivering a framework for officers and members to be aware of when considering potential options. This will be particularly useful when decisions are required as part of the Operational and Non-Operational Property Reviews. The Plan also sets the overall direction the Council intends to take in respect of its assets during the period of the Plan.
- 2.5 The Medium Term Financial Strategy (MTFS) sets the financial direction the Council intends to take in the medium term, that is, over the next three years. It details the framework for understanding the challenges the Council faces and looks at options for how these challenges can be met. The AMP is relevant to the following MTFS objectives.

- Plan to increase housing, inward investment and jobs growth, to contribute towards income growth.
- Seek to work with partners and stakeholders to reduce our underlying cost base.
- Seek opportunities to generate more income responsibly, to replace lost government grant.

Indeed, the ten year vision states that the Council will become more entrepreneurial, using all its assets including property, land, buildings and people to earn money from willing purchasers and customers.

In addition a number of AMP commitments are referenced in the MTF5. the redevelopment of Rotherham Town Centre.

- the creation of a housing company with properties let and sold on different tenures to reach a wide market.
- the asset transfer of community facilities to local management.
- increase the council tax and business rates receipts through growth.
- Intervening where there is market failure.

2.6 Alongside the focus on asset management and financial planning sits the growth agenda and the requirement for transformation funding to deliver the regeneration and growth essential to the Borough. The Council is working closely with the Sheffield City Region to obtain funding to enable this, recent successes being funding obtained for the acquisition of Forge Island, a key site in the redevelopment of the town centre and for highways works on the A618 Growth Corridor. The regeneration opportunities available require intervention as the market, in some instances, is unable to deliver and this will require some funds to be made available. Such funds can be generated, at least in part, from an asset rationalisation process, releasing capital receipts to fund capital projects. This requires joint working between Asset Management and Finance and a good understanding of the plans for the future in this regard. These are now outlined in the AMP and more detail will be added, ensuring that projects are taken forward as appropriate and when funding is likely to be available. Such projects will also be key generators of additional prosperity in the Borough, including both capital receipts and additional revenue from New Homes Bonus, Business Rates and Council Tax.

2.7 Good asset management and successful financial planning are closely linked, with one supporting the other. This is especially important in the current financial climate where the maximisation of capital receipts and investment returns can make a significant difference to the financial position of the organisation. Assets are held for many reasons – for operational purposes, as investments or to support the community, amongst others – no matter the reason, it is increasingly apparent that assets must be reviewed regularly, asset values maximised and they must be put to their best use in the delivery of the Council's corporate objectives.

- 2.8 The Asset Management Plan and Medium Term Financial Strategy align, interact and support the Council's corporate objectives, the financial needs of the Authority and the growth agenda in the following ways:
- **Capital receipts and asset disposals** – the need for the generation of capital receipts to both support the Council's budget and to facilitate the Growth Agenda is well evidenced in both documents. Such generation is supported by the rigorous review and asset challenge process for both operational and non-operational property, which will form a large part of the delivery of the Asset Management Plan. Capital Receipts are also detailed in the five year plan for capital receipts, which supports the Capital Programme and revenue budget.
  - **Revenue generation and maximisation** – the review of all assets will include an assessment of the current use of those assets and whether they are being utilised to best advantage, both from a space and from a revenue generation point of view. Income growth will be prioritised and this in turn will support the budget planning process.
  - **Revenue cost reduction** – the review and challenge process is likely to identify assets which are no longer needed for operational purposes or where they no longer produce sufficient overall return to represent a good investment in the Council's investment portfolio.
  - **Income Growth** The plan to increase housing, inward investment and jobs growth and to contribute towards income growth within the MTFs largely mirrors Objective Two of the Asset Management Policy and Strategy, showing coherence between the two strategies.
- 2.9 Essentially the two strategies bring together two different but linked areas within the Council, displaying clearly that both are aiming for the same outcomes. Whether this relates to savings, the generation of capital receipts or transforming the Borough, those managing the assets at Rotherham Council and those responsible for the finances of the organisation work together to deliver what is required. Respective skills and knowledge are utilised in all cases to enhance delivery.
- 2.10 Examples of this include:
- The acquisition of two business units at the Advanced Manufacturing Park, Waverley, one of which has been sold and the other retained.
  - The proposed acquisition of a business unit at Beighton Link as an investment, but to also kick-start development in the local area.
  - The provision of funding to support the acquisition of an integral site in Swinton Town Centre and the demolition of Charnwood House, a decommissioned care home, allowing regeneration of the area to be comprehensively undertaken.
- 2.11 The table in paragraph 2.12 - Exempt Appendix B shows the capital receipts and revenue savings released through joint working and a focus on joined up delivery of the corporate objectives and also the objectives in the respective strategies.

### **3. Key Issues**

- 3.1 The Asset Management Plan and the Medium Term Financial Strategy are aligned and provide both officers and Members with a framework on which to base decisions on the future of assets.
- 3.2 The culture of joint working and focus on shared priorities between the Asset Management and Financial Services teams delivers added value on an ongoing basis, assisting in meeting the challenges which arise due to the need to reduce budgets over the coming years.

### **4. Options considered and recommended proposal**

- 4.1 It is recommended that the linkages between the Asset Management Policy and Strategy and the Medium Term Financial Strategy are noted.

### **5. Consultation**

- 5.1 The Asset Management Policy and Strategy have been approved by Cabinet and Commissioners' Decision Making Meeting and the Asset Management Action Plan has been provisionally agreed by Asset Management Board, which has cross-Directorate representation.

### **6. Timetable and Accountability for Implementing this Decision**

- 6.1 Close liaison between Financial Services and Asset Management will continue for the duration of both strategies and beyond.

### **7. Finance and Procurement Implications**

- 7.1 The Asset Management Policy and Strategy objective to review and rationalise the Council's operational and non-operational asset holdings, is yielding significant capital receipts. These are currently being used to support the Council's revenue budget, using the capital receipts flexibilities introduced from the 1<sup>st</sup> April 2016 and implemented by the Council aimed at generating revenue savings. Within the 2017/18 and 2018/19 revenue budgets, an assumption has been made that capital receipts of £2m will be generated in each year, to fund expenditure relating to transforming Council services to generate future revenue efficiency savings. In addition, historic (pre-2016) capital receipts are being used as part of the funding of the Council's Capital Programme.
- 7.2 Reflecting this property rationalisation, within the Council's revenue budget for 2017/18 and MTFS, savings have been built into the revenue budget assumptions resulting from the closure of Council buildings.

7.3 In addition, as discussed in paragraph 2.8, fundamental to the Council's long term financial security is the need to grow the Council's income stream through business and housing growth, yielding additional business rates, council tax and new homes bonus. Further, the Council will continue to explore investment opportunities through the acquisition of, and investment in, commercial properties.

7.4 There are no procurement implications arising from this report.

## **8. Legal Implications**

8.1 None arising directly from this report.

## **9. Human Resource Implications**

9.1 There are no HR implications arising from this report.

## **10. Implications for Children and Young People and Vulnerable Adults**

10.1 The consideration of the use of assets may affect children and young people and vulnerable adults, however this will be assessed and consulted upon on an individual case basis.

## **11. Equalities and Human Rights Implications**

11.1 There are no equalities and human rights implications arising directly from this report, however such considerations will be taken into account as each asset is put through the challenge process and in all decision-making relating to assets and the finances linked to them.

## **12. Implications for Partners and Other Directorates**

12.1 The alignment of the AMP and the MTFs is expected to streamline decision-making and enable the Council to deliver its corporate objectives. This may have both positive and negative effects on partners and other Directorates though these will be assessed as each individual proposal is considered.

## **13. Risks and Mitigation**

13.1 There is a risk that despite the Strategies being aligned in the ways described above that officers fail to work together to implement them in a coherent way. This is mitigated through participation of officers at all levels in the Asset Management Officer Group (AMOG) and Asset Management Board (AMB), ensuring that appropriate issues are raised in a forum where all parties can be involved in the discussion and decision-making process.

**14. Accountable Officer(s)**

Damien Wilson – Strategic Director - Regeneration and Environment.  
Paul Woodcock – Assistant Director - Planning Regeneration and Transport.  
Paul Smith – Head of Asset Management.  
Louise Murray - Strategic Asset Manager.

Approvals obtained from:-

Finance – Jonathan Baggaley.  
Procurement – Karen Middlebrook.  
Legal – Stuart Fletcher.  
Human Resources – John Crutchley