

CABINET

Asset Management Strategy (Non-Housing) 2022-26 25th October 2022

Report of Director for Economic Growth and Regeneration

PURPOSE OF REPORT				
To present the Asset Management Strategy (Non-Housing) 2022-2026 to Cabinet for approval				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision	12 th September 2022			
This report is public				

RECOMMENDATIONS OF Cllr Hamilton-Cox

- (1) That Cabinet Approve the Asset Management Strategy 2022-26 and associated Delivery Plan
- (2) That Cabinet approves the development of associated property related policies
- (3) That a report confirming the Key Performance Indicators which will be used to monitor the performance of the council's portfolio is presented to Cabinet for agreement to allow for implementation from the beginning of the 2023/24 financial year
- (4) That Cabinet agrees that the priority is to review the use of municipal office space with a report detailing findings provided for December Cabinet
- (5) That Cabinet reviews the existing list of surplus assets to identify possible opportunities for disposal

1.0 Introduction

- 1.1 Lancaster City Council is currently without an Asset Management Strategy and several related policies. This has created a situation where many activities and decisions related to the council's land and property portfolio are undertaken on an ad hoc basis without reference to clear formally agreed policy or processes. To address this, the attached Asset Management Strategy (see Appendix) has been drafted for your consideration

Background

- 1.2 Lancaster City Council has a diverse range of land and property and the way in which it manages these assets has a direct impact on the quality of services that it delivers to the public and its underlying budget / income. However, unlike other key aspects of the council's activities, such as finance and planning, which are supported by established strategies (e.g., the Medium-Term Financial Strategy), there is no single overarching strategy or plan for the management of the council's property portfolio, and several policies or formalised processes to instruct how key property-related activities should be undertaken need to be agreed. The council's other strategies can help inform the context for property decisions / activities, improved direction, clarity, but a greater degree of certainty can be provided by a property specific Asset Management Strategy. The importance of land and property assets to the council cannot be understated, given the forecasted budget constraints over next two years.
- 1.3 Work undertaken to land or buildings is currently completed in accordance with recognised industry guidance (e.g., valuations), while other activities are being completed to meet statutory and reactive needs (e.g., repairs and maintenance). However, the lack of overarching strategic framework / structure to reference means the approach in commissioning works etc. is ad hoc and reactive and needs to be prioritised in a way the best meets operational objectives.
- 1.4 In the absence of a strategic framework, guidance and inadequate resources is leading to uncertainty due to an absence of broader strategic objectives. The risk of not having a strategic plan leads to the possibility that property assets may not be utilised in a way that maximises support to achieve service objectives. This puts the council in a position where it may be missing out on significant opportunities to maximise income and or mitigate future maintenance liabilities. This also means that property related decisions and activities are currently being undertaken in a policy vacuum with a short-term focus that clouds the possibilities achievable with a long-term strategic view. As priorities evolve, this leaves decisions open to challenge and creates the possibility that financial investment and officer time could have been better targeted towards those assets which better fulfil agreed objectives
- 1.5 The Asset management Strategy will provide an effective framework, enabling the council to prudently target its investment towards immediate priorities and assets that are at risk of falling into disrepair. This minimises the risk of unexpected urgent and expensive repairs being required but, more importantly, proactively addresses the latent risk of a significant accident or health and safety breach occurring.
- 1.6 To provide some context, the council currently has a portfolio which is valued at £85.1million. Based on 2021/22 figures, the council received an income from its commercial portfolio of £2.5million, and had expenditure on key areas (i.e. cleaning, repair and maintenance, rates, rents and utilities) totalling as follows:

Property Type	Expenditure
Commercial	£0.7million*
Municipal e.g. town halls, depots, Salt Ayre etc	£1.9million
Other e.g. open spaces	£1.6million
Total	£4.2million

*The expenditure against the commercial assets is largely recovered through service charges

2.0 Proposal Details

Asset Management Strategy

- 2.1 The Asset Management Strategy will provide a framework to support the development and management of the Council's non housing land and property assets to achieve our ambition of delivering collaborative property solutions, whilst realising corporate objectives. By launching this Strategy, we are taking a long term strategic approach to how we utilise our asset base ensuring we maximise commercial and social returns by rationalising the City Council's property to allow it to act as a catalyst for development and underpin the social fabric of communities across the district.
- 2.2 The Strategy will guide our future strategic property decisions to ensure we manage our property portfolio sustainably and efficiently, so that it can remain fit for the future and support frontline delivery. It will support asset-led transformation and innovation, giving direction and instruction to service areas in respect of how our assets and estate can help them achieve and exceed their objectives. And it will ensure that the that planning and programming of investment is properly considered. In doing so, the strategy sets out a number of key areas including:
- (1) Vision and Priorities – what we seek to achieve with this strategy
 - (2) The local context – how this strategy sits alongside the council's ambitions and other notable strategy and policy documentation.
 - (3) Where are we now – A summary of the council's portfolio
 - (4) Delivering this strategy – Summarising how we will achieve this strategy
 - (5) Monitoring and Performance
 - (6) Delivery Plan – Details of the steps which we will take
- 2.3 The opportunities to utilise our property portfolio to support the achievement of our ambitions for the district are significant and there is more we can do to harness these assets. It is therefore intended that the strategy will be a starting point and will evolve to meet the future ambitions of Lancaster City Council. However, it is recognised that there will be pressing strategic decisions which may need to be made before the completion of the actions within the Strategy's Delivery Plan. The Asset Challenge Process element of the Strategy has therefore been separated into tranches, with baseline data currently being prepared to ensure it is available for the Outcome Based Resourcing (OBR) process. The OBR process will in turn inform immediate priorities for the council and the Asset Management Strategy will be revised to accommodate any such priorities which need to be brought forward
- 2.4 To ensure that the strategy targets high priority assets early in the process, assets have been provisionally categorised into tranches to illustrate the order in which they will be considered. This is detailed within the Strategy and

demonstrates how the initial focus will be on key corporate buildings followed by the commercial and non-commercial assets.

- 2.5 The implementation of the strategy will be monitored through a number of Key Performance Indicators (KPIs). These are currently under development but will be designed to indicate how well the council's property is performing and could include, for example, occupancy rate, energy performance and maintenance spend. However, to ensure that they are relevant and capture all areas of interest, they will be presented to Cabinet for agreement before implementation

Resourcing

- 2.6 The Strategy will provide a cohesive plan to direct the council's activities. The council is currently in the process of reviewing its current capacity and resources set against the implications of delivering the Asset management Strategy. This will form part of the forthcoming discussions as the Council enters its OBR process for setting future budgets.
- 2.7 There is currently no business case or approved revenue budget in place to facilitate any increase in resources should this be deemed appropriate so these will need to be drafted and agreed with their own financial implications considered. The funding of any increase will need to be managed as part of the budget setting process

3.0 Details of Consultation

- 3.1 Consultation has taken place with relevant officers

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Adopt the Asset Management Strategy (Non-Housing) 2022-26	Option 2: Do not adopt the Asset Management Strategy (Non-Housing) 2022-26
Advantages	<p>Ensure that the council provides the right assets in the right place, time and cost to meet and support its current and future objectives.</p> <p>Allow the council to optimise and prioritise the level of investment in property assets to minimise maintenance backlog, improve fitness for purpose and optimise occupancy levels.</p> <p>Maximise the value the council can gain from its non-operational commercial</p>	<p>More resources available for other areas of ambition</p>

	<p>portfolio and surplus assets in both financial and social value terms.</p> <p>Allow the council, in a structured and clear way, to regularly challenge the use of its land and buildings to minimise revenue expenditure and maximise the generation of capital receipts/revenue income.</p> <p>Provide officers with clear decision-making framework for activities relating to asset use and acquisition.</p>	
Disadvantages	<p>Additional resources will be required to effectively deliver the priorities</p>	<p>Property decisions will be made reactively and from a siloed approach, and may not create the best outcomes for the Council financially, for its staff or its residents</p> <p>The Council will not be able to effectively manage its property portfolio</p> <p>Opportunities to maximise income from our portfolio will be missed</p>
Risks	<p>May identify spending requirements which have not previously been accounted for</p>	<p>Potential for wasted effort and resources being applied to activities which are found to not be in line with service or member aspirations.</p> <p>Increased risk of properties falling into disrepair and accidents occurring.</p>

5.0 Officer Preferred Option (and comments)

5.1 The officer preferred option is Option 1. Only through the effective implementation of an Asset Management Strategy can the council be confident that it is efficiently and effectively managing its property portfolio

6.0 Conclusion

6.1 The opportunities to utilise our property portfolio to support the achievement of our ambitions for the district are significant and there is more we can do to harness these assets. It is therefore hoped that the strategy will be a starting point and will evolve to meet the future ambitions of Lancaster City Council

The report introduces the Asset Management Strategy which is concerned with matters relating to prudent management of the city council's property portfolio.

The Strategy itself sets out seven priorities which in turn contribute to all four of the council's overarching priorities. The relationships between the respective priorities are summarised within the Strategy.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The proposals set out in the report should not have any adverse effects and should have some positive impacts particularly on the health and safety, and ongoing sustainability of the council's property portfolio

LEGAL IMPLICATIONS

No direct legal implications arise at this time.

FINANCIAL IMPLICATIONS

There are no direct financial implications connected with adopting the strategy. However, the progression of the strategy will result in various financial issues arising in due course. These will be reported to Members for consideration at the appropriate time.

To reiterate section 2.7 of the report, there is currently no business case or approved revenue budget in place to facilitate any increase in resources should this be deemed appropriate so these will need to be drafted and agreed with their own financial implications considered. The funding of any increase will need to be managed as part of the budget setting process.

OTHER RESOURCE IMPLICATIONS

Human Resources:

As per section 2.6 and 2.7, the resource required to deliver the Asset Management Strategy will depend upon the direction of travel and linked to the current OBR review.

Information Services:

No implications at this time

Property:

As detailed in the report and Asset Management Strategy

Open Spaces:

As detailed in the report and Asset Management Strategy

SECTION 151 OFFICER'S COMMENTS

The Asset Management Strategy (AMS) plays a significant part in the Council's Outcomes Based Resourcing ambitions by providing a strategic view of our asset base. The AMS should identify how the Council's assets can be utilised to provide continued service provision, the associated costs, as well as opportunities for income generation and capital receipts.

However, it is essential that the associated financial analysis comes forward quickly if we are to meet the Council's budget timetable and so should be treated as a priority

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add

BACKGROUND PAPERS

n/a

Contact Officer: Daniel Wood

Telephone: 01524 582061

E-mail: dwood@lancaster.gov.uk

Ref: [\[Click here and type Ref, if applicable\]](#)