

ASSET MANAGEMENT

SUMMARY AND RECOMMENDATIONS:

One of the actions set out in the Rushmoor 2020 programme agreed in May 2018 was to “Improve arrangements for the management and use of Council owned property including a new asset management plan”

This report sets out an Asset Management Plan and identifies how the priority areas in that plan will be taken forward.

The Cabinet is asked to recommend approval of the attached Asset Management Plan to full Council.

1. INTRODUCTION

- 1.1 In May 2019 report CEX 1801 set out a range of actions for improvement and modernisation to be included in the Rushmoor 2020 Modernisation and Improvement Programme. Two of those actions related to the Council’s property and regeneration assets. The first was to improve arrangements for the management and use of Council owned property including a new asset management plan. The second concerned developing an integrated strategy to guide commercial and regeneration property investments, along with proactive performance monitoring of investment returns.
- 1.2 The first stage of these improvements was to establish the Regeneration and Property Service and employ a team with the appropriate skills and experience to support the ongoing delivery of priorities and improvements to the service. The majority of the team is now in place and a high level plan for Asset Management has been developed and is attached at Appendix A. It sets out the direction of travel for the future management of the Council’s land and property assets.
- 1.3 This plan was considered by both the Policy & Project Advisory Board (PPAB) on 3 April 2019 and Overview & Scrutiny Committee (OSC) on 30 May 2019.

The following areas of work have, as a result, been highlighted for priority attention,

- a) The Property Acquisition Process
- b) A Review of the Investment Portfolio
- c) A Review of the Rent Arrears Process
- d) An audit of Property Ownership
- e) Procurement of an Asset Management system to digitise records

1.4 The remainder of this report sets out the proposed approach for moving each of these areas of work forward for agreement by Cabinet.

2. PRIORITY AREAS

(a) - A Review of the Property Acquisition Process

2.1 The acquisition of income generating investment property assets and of properties into the regeneration programme continues in support of the Council's stated aims to be financially sound for the future and to develop the town centres of Aldershot and Farnborough.

2.2 A collaborative 'round table' approach is to be adopted, including early input from Estates, Legal, Building Surveyors and the Finance team. This will further inform financial modelling pre-acquisition and include known costs of the asset and holding costs required post-acquisition. As a result, this will improve the understanding of the unique challenges of dealing with each property once in the portfolio.

2.3 It is important that criteria, other than the purely financial, are considered to accord with the Council Plan. Through this collaborative approach, such items can more readily be addressed and they include:

- Tenancies and Lease terms
- Condition and costs of repair/maintenance
- Net Initial Yield - which accounts for the immediate income stream to be generated

2.4 An improved approach, with rigorous challenges to advisors acting on purchases, should result in the early rejection of potential investment assets that are not suited to the requirements of the Council. It will also enable the identification, more readily, of any additional costs and for improved awareness of workload for Officers in the initial period of management. This applies to assets to be retained for income or capital generation and those potentially bought as a part of the regeneration programme.

(b) - A Review of the Investment Portfolio

2.5 A review of the overall portfolio is currently under way. The first stage is a review of the investment portfolio acquired since 2016, already reported on to Overview & Scrutiny.

2.6 LSH Investment Management is undertaking this work in their experienced and dedicated public-sector advisory team. It is expected that as well as individual

advice, a more sectoral analysis of the Council's portfolio in line with current market conditions will be forthcoming.

- 2.7 Subsequently, the 'legacy' investment properties held over many years, still producing consistent income but generally at lower levels will similarly be analysed and reported upon.

(c) - A Review of the Rent Arrears Process

- 2.8 Joint working alongside the Finance Team is currently under way to manage more closely the rent arrears process. This is expected to include:

- improved reporting by streamlining of information
- visibility on (rent roll) invoices to be raised each quarter
- improved event management for changes to billing
- enhanced methods for monitoring rent arrears

- 2.9 In order to improve reporting in future on rent roll and aged debtors, particularly and for a clearer financial picture of the Councils portfolio, current report formats require updating.

- 2.10 Even with the majority of the multi-let investments being outsourced to managing agents that provide quarterly accounts and management reports, it is important to have an easily available early indication of all rent arrears internally. Only then can the priorities be set to initiate discussions with tenants regarding arrears and payment plans to ensure the Council receives the full income it is due.

(d) - An Audit of Property Ownership

- 2.11 An Audit of Ownership of the Councils properties will be undertaken as a part of the process of adopting a new Asset Management system that is currently being developed.

(e) - Procurement of an Asset Management System to Digitise Records

- 2.12 Work is currently underway to scope the requirements for a new Asset Management system.

- 2.13 There is a need for asset management software capable of providing functions such as compatibility with GIS, tenancy management, land management, building maintenance management and statutory compliance management. This should also export to and upload from Excel, enabling improved data management including asset register and valuation. It is unlikely that compatibility with the finance system (Integra) will also be possible, but this is a factor in the selection of a system.

3. IMPLICATIONS

Risks

- 3.1 Without addressing issues in the plan, there is the risk that the Council will incur loss of income or costs of repair.

Legal Implications

- 3.2 A contract for the appointment of a software provider of systems to support asset management will be required.
- 3.3 Adopting clear systems and procedures will reduce the likelihood of any legal claim.

Financial and Resource Implications

- 3.4 The cost of the asset management IT system - currently budgeted at £20,000 will require staff resourcing to input data and manage the project. Effective management of assets will help the council to maximise income generation from our property

Equalities Impact Implications

- 3.5 There are no specific impacts.

4. CONCLUSIONS

- 4.1 Progress has been made and the attached Asset Management Plan lays out the Council's direction of travel for its property assets.
- 4.2 The external review of the Investment portfolio will be followed by analysis of the Council's 'legacy' properties and adopting a modern asset management system will ensure full and proper management of the Council's assets.
- 4.3 Cabinet is recommended to agree the approach set out in the report.

BACKGROUND DOCUMENTS:

- PPAB report of 3rd April 2019
- O&S Report of 30th May 2019

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APPENDIX 1
Asset Management Plan
18/3/2019

Rational	An asset management plan recommended in terms of best practice (e.g. RICS guidance) as it ensures that there are processes in place for the asset management of the property portfolio, and that these processes are reviewed regularly to adapt to changes in legal, corporate and market conditions.			
Strategy links	The asset management plan accords with the following: Rushmoor Borough Council's strategies and policies (MTFS, Corporate Strategy); government's strategies and policies (e.g. One Public Estate); legal requirements (Health and Safety and statutory compliance); and best practice requirements (CIPFA, RICS).			
	Current portfolio		Proposed projects	
Category	Operational assets	Investment assets	Purchase/disposal	Capital projects
Target	<ul style="list-style-type: none"> Ensuring service delivery Save costs Delivering existing and future services Reduce environmental impact Joint working with partners 	<ul style="list-style-type: none"> Ensuring income generation Maximise income from existing assets Delivering investment programme Reviewing performance Preparing asset plans for key assets 	<ul style="list-style-type: none"> Income generation opportunities Reducing liabilities Supporting regeneration Supporting economic, social and environmental development 	<ul style="list-style-type: none"> Making assets suitable for purpose Improving environmental impact Improving service delivery quality Reducing costs Improving efficiency Accessing external funds
Implications	<ul style="list-style-type: none"> Improve energy efficiency (capital projects) Creation and improve suitability of premises (disabled access, purpose-built facilities) Relocating services (transport access, appropriate location, access to users) Shared premises (more efficient use of space, proximity to partners) 	<ul style="list-style-type: none"> Landlord and Tenant (new leases, rent reviews, lease renewals, dilapidations) Access over land (ransom strips, rights of light, licence for access/occupation) Bad debt (processes for alerting, payment plan, recovery, forfeiture) Extensions/improvements (increase floor space, improve standard) 	<ul style="list-style-type: none"> Disposal of unsuitable assets Purchase of suitable assets Identify opportunity sales or purchases – e.g. with adjoining owners Part of regeneration programme 	<ul style="list-style-type: none"> Alteration to existing assets Construction of purpose built assets Income generating assets Strategically important projects Support of regeneration Consistency of project approach
Delivery	<p>Portfolio review programme</p> <ul style="list-style-type: none"> Identifying whether assets are suitable for purpose Classifying assets (efficiency, condition and priority) Establishing options (change of use, capital expenditures, disposal) Cabinet reports for capital projects, disposals, re-locations and investments <p>Maintenance programme</p> <ul style="list-style-type: none"> Inspection of assets, condition surveys and related work Statutory compliance and related work Environmental impact and related work Capital expenditures and project management Procurement <p>Portfolio management:</p> <ul style="list-style-type: none"> Asset register Tenancy schedule Maintenance and statutory compliance schedules Property management system, processes and procedures Capital resources (revenue and capital budgets) Human resources (staff, contractors, joint ventures) Governance (scheme of delegation, line management, procurement) Consistent asset management e.g. community and private disposal policy 		<ul style="list-style-type: none"> Preparing an investment strategy. Agreeing on procedures. Clear scheme of delegation. Identifying opportunities. Employing appropriate internal and external resources. Clear and transparent approach 	<ul style="list-style-type: none"> Preparing a capital strategy. Agreeing procedures and processes Amending the scheme of delegation. Identifying opportunities. Establishing stakeholders. Reviewing potential funding. Working with delivery partners Prioritising projects
Governance	Performance to be reviewed by an Asset Management Group			

APPENDIX 2

