

REPORT TO: Cabinet
Council

DATE: 25th November 2010
16th December 2010

SUBJECT: Strategic Asset Management Property Intervention Fund

**WARDS
AFFECTED:** All

REPORT OF: Bill Milburn
Strategic Director (Communities)

**CONTACT
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**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To seek approval for the inclusion of a Strategic Asset Management Property Intervention provision within the Capital Programme, funded from the proceeds of asset disposals, to address on-going property management issues.

REASON WHY DECISION REQUIRED:

Cabinet approval is required to recommend to Council the establishment of a Strategic Asset Management Property Intervention provision within the Capital Programme, and the changes in the Scheme of Delegation within the Constitution as described in this report.

RECOMMENDATION(S):

It is recommended that Cabinet:-

1. Recommend to Council the establishment of a £500,000 Strategic Asset Management Property Intervention provision within the Capital Programme to be funded and maintained from capital receipts derived from asset disposals.
2. Recommend to Council the amendment of Part 3 of the Council Constitution (Responsibility for Functions) in order to give the management responsibility for the Strategic Asset Management Property Intervention provision to the Strategic Director - Communities, in conjunction with the Head of Corporate Finance and ICT.

It is recommended that Council give approval to:-

- 1) The establishment of a £500,000 Strategic Asset Management Property Intervention provision within the Capital Programme to be funded and maintained from capital receipts derived from asset disposals.
- 2) The amendment of Part 3 of the Council Constitution (Responsibility for Functions) in order to give the management responsibility for the Strategic Asset Management Property Intervention provision to the Strategic Director - Communities, in conjunction with the Head of Corporate Finance and ICT.

KEY DECISION: None

FORWARD PLAN: None

IMPLEMENTATION DATE: Immediately following Council

ALTERNATIVE OPTIONS:

Cabinet/Council could choose not to accept the recommendations which would mean that all routine property intervention issues of the nature described in the report would need to be reported to Cabinet and Council in order to be included within the Capital Programme, which could lead to inordinate delays in the commencement of work, particularly if the requirement is of an emergency nature.

IMPLICATIONS:

Budget/Policy Framework: None

Financial:

The proposal is to establish a £500,000 provision within the Capital Programme from the current year's proceeds of asset disposals and to maintain that provision at that level as it is utilised by top slicing future capital receipts going forward.

<u>CAPITAL EXPENDITURE</u>	2009/ 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N No	When?			
How will the service be funded post expiry?	.			

Legal:

The recommended protocol will require a change to the Scheme of Delegation within the Council's Constitution.

Risk Assessment:

The fund will enable the Council to manage its property risks more effectively.

Asset Management:

The fund will assist the Council in managing its property portfolio in a more effective manner by enabling interventions that will either reduce risk or maximise opportunities to create additional value or minimise revenue expenditure

CONSULTATION UNDERTAKEN/VIEWS

FD 562 - The Interim Head of Corporate Finance & Information Services has been consulted and his comments have been incorporated into this report.
Legal Dept, Strategic Asset Management Group

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities	√		
3	Jobs and Prosperity	√		
4	Improving Health and Well-Being		√	
5	Environmental Sustainability	√		
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Asset Management Report 2010.

1.0 Background

- 1.1 Members will recall that up to 2009/10 a New Starts Capital Programme (NSCP) was agreed as part of the budget setting process, funded primarily from specific allocations and approvals from central Government, with the addition of agreed prudential borrowing identified within the Council's Medium Term Financial Plan. The NSCP was also supported by any anticipated proceeds from asset disposals expected during the year. As a reflection of the Council's financial position, a New Starts Capital Programme was not approved for the current year and a number of Capital provisions for addressing routine property interventions were deleted from the 2009/10 budget.
- 1.2 The absence of this funding from the Capital Programme means that there is no provision to facilitate works (interventions) that frequently arise within the Council's asset holdings, given the size of the portfolio and diverse cross-section of property types. Examples include health and safety matters (including urgent demolitions), compliance with urgent Disability Discrimination Act issues and progressing "invest to save" opportunities (including accommodation relocations). Consequently, the only way to address such issues is to take individual and specific reports to both Cabinet & Council to have each emerging issue added to the Capital Programme, this has the potential to lead to delays in the commencement of works, which is particularly problematic if the requirement is of an urgent or emergency nature.
- 1.3 There is a growing appreciation of the impact that the "Credit Crunch" and subsequent recession has had on property asset values in the UK and Sefton has not been immune to these impacts. The value of Council assets has been diminished and surplus assets that would have sold readily in the recent past struggle to achieve more than opportunistic or speculative enquiries. However, there is still a market for certain assets, typically existing buildings in need of renovation or small development sites in good residential locations that need minimal investment in infrastructure. It is this type of asset that is likely to form part of a limited asset disposal programme over the next few years.

2.0 Proposal

- 2.1 The Strategic Asset Management Group (SAMG) has formulated a proposal to recommend to Cabinet and Council that will, if accepted, help improve asset management arrangements and allow the types of issues outlined above to be routinely progressed without constant referral to both Cabinet and Council for inclusion in the Capital Programme. The proposal involves the establishment of a Property Interventions provision within the Capital Programme, funded initially from the proceeds of asset disposals received since 1 April 2010. It is recommended that this provision be established in the sum of £500,000 and maintained at this level as it is utilised by top slicing further capital receipts at the end of each financial year.

- 2.2 It is difficult to accurately predict the level of use of such a fund and it is possible that in some years it will be fully expended and in other years that it will carry over a substantial proportion into the following financial year. If asset receipts are not generated within any year then the Property Intervention fund will not be “topped up”.
- 2.3 It is recommended that the Property Intervention provision be managed by the Strategic Director (Communities) in his capacity as Chair of SAMG and that he, in conjunction with the Head of Corporate Finance and IS, be given delegated authority by Council to authorise allocations from the provision as and when required.
- 2.4 In order to ensure effective governance of this funding it is proposed that a report on the previous year’s utilisation of the Property Intervention provision will be presented to Cabinet at the beginning of each Municipal Year.
- 2.5 Members are aware that in the current economic climate with reduced activity and low values the Council may be ill advised to seek to dispose of its major assets. Nevertheless, some activity does continue which would allow the establishment of the Property Intervention fund without seeking base budget growth. Should Members agree to the recommendations of this report, the balance of asset receipts received, after generating/maintaining the Property Intervention fund will, as in the past, be utilised to repay existing borrowings with the benefit of reducing revenue costs.
- 2.6 Members will be kept fully informed as the economic climate improves and the prospect of generating significant income from asset disposals returns, in order that they may decide whether to utilise such returns for investments in specific facilities or Capital New Starts.

3.0 Recommendations

- 3.1 It is recommended that Cabinet:-

Recommend to Council the establishment of a £500,000 Strategic Asset Management Property Intervention provision within the Capital Programme to be funded and maintained from capital receipts derived from asset disposals.

Recommend to Council that the management responsibility for the Strategic Asset Management Property Intervention provision be delegated to the Strategic Director (Communities) in conjunction with the Head of Corporate Finance and IS and that the Constitution be amended accordingly.

- 3.2 It is recommended that Council agree:-

The establishment of a £500,000 Strategic Asset Management Property Intervention provision within the Capital Programme to be funded and maintained from capital receipts derived from asset disposals; and

the amendment of Part 3 of the Council Constitution (Responsibility for Functions) in order to give the management responsibility for the Strategic Asset Management Property Intervention provision to the Strategic Director - Communities, in conjunction with the Head of Corporate Finance and ICT.