

Sefton Metropolitan Borough Council

STRATEGIC ASSET MANAGEMENT PLAN

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1. Introduction

After its staff the Council's next biggest resource is its land and property. It is vital that this resource is managed and used effectively and efficiently to ensure that the Council derives maximum benefit from its assets in support of its strategic aims and priorities.

The continued pressure on local authority finances makes it more critical that the Council has a robust strategic approach to ensure the correct decisions are taken regarding its property asset base. In moving forward there will need to be an increased emphasis on challenging and justifying why assets are being retained, whilst looking at other alternative options for asset use and service delivery to maintain front line services within the stringent budgetary framework which local authorities will be required to operate within.

The Strategic Asset Management Plan (the Plan) will provide a framework for the planning, prioritisation, management and funding of the Council's asset base.

The Plan forms part of a suite of documents, including the Capital Strategy and Capital Investment Plan, which support and inform the Council's Medium Term Financial Plan (MTFP) and its budget for 2013/14 to 2015/16. (See Appendix 1)

2. Aims of the Strategic Asset Management Plan

The key aims of the Strategic Asset Management Plan are to:

- provide a clear context within which the Council's property assets can be managed to ensure that all asset based investment is targeted towards meeting the Council's Priorities and/or legislative requirements;
- maximise the use of revenue resources by establishing effective arrangements for the management of Council assets and expenditure including focused benchmarking and performance analysis to achieve of Value for Money.
- establish a corporate approach to the management and release of capital from the Council's existing asset base.

3. Types of Assets

The use and management of the authority's assets can play a fundamental role in delivery of corporate and local priorities, as well as shape and influence the quality of life and place for local people and businesses. The property asset base divides into two key categories;

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Operational Properties – Owned or leased buildings that are required to enable the delivery of services. These are typically the main administrative buildings, but also encompass specialised facilities such as Schools and Care homes.

- Non-operational Properties – Also known as the investment portfolio, these assets are held because they generate an income return or present an opportunity for capital gain through redevelopment. The portfolio is a legacy of previous and often longstanding land ownerships that have come together with the merger of the composite authorities that now make up Sefton MBC. The portfolio is not typical of most commercial investment portfolios that are a consequence of conscious decisions to invest and hold property as an investment asset.

There are a small number of assets where there is a cross over between both categories, e.g. where the Council occupies a freehold property, but primarily for operational purposes

4. The Councils Approach to Strategic Asset Management

It is critical that the assets the Council retains are fit for purpose, provide value for money and meet/support both business and community needs. Decisions to invest and improve the asset base are made on the same robust and transparent basis. The Council's approach will be influenced by relevant factors and in particular requirements to meet the Council's statutory duties; e.g. the duty to ensure 'sufficient good quality school places', which is a key driver of capital investment in the schools estate.

The Council will adopt a formal Corporate Landlord Approach to drive a planned process to review and challenge the use and retention of assets, providing a transparent framework for investment and disinvestment decisions in the asset base.

The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery to meeting corporate priorities. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary

In addition the Plan will be influenced by the results of any service reviews which have been carried out by the Council, either as part of the budget preparation process or as one-off exercises. Where these reviews identify areas of service which are to be restructured or discontinued, this may give rise to surplus assets. These assets will be available for disposal and may possibly generate a capital receipt which will be available for funding further capital investment or realise other benefits, perhaps in the form of reduced costs falling on the General Fund Revenue Account. Alternatively, structured reviews may identify areas for investment, some of which may be capital investment.

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An essential component of this process is the Accommodation Strategy. An Ongoing review of the Council's accommodation provision will continually look at opportunities to rationalise occupation and release surplus accommodation from the Council's accommodation buildings. This will include identifying opportunities for shared use of Council facilities to enable the efficient provision of key services as well as potential co-locations with other public and private sector partners.

The Councils approach to the use of assets is broadly as follows:

Assets will only be retained where it can clearly be demonstrated that they:-

- support and meet the Corporate objectives of the Council
- contribute to the effective delivery of business provision (i.e. the condition and performance of the asset does not impede service delivery);
- provide a strategic landholding in key locations in the borough
- provide value for money (in respect of their current or future investment, capital value, revenue generation and/or ability to influence regeneration).

Where assets do not satisfy the above criteria consideration will be given to the asset either being better utilised to free up accommodation elsewhere, or disposed. The disposal process, including the rationale for using a particular method of disposal is set out in the Asset Disposal Policy.

5. Governance

The Council's governance arrangements are established and set out in the Council's Capital Strategy. Responsibility for the Strategic Asset Management Plan rests with Council.

Oversight and management of the strategy and process is through Cabinet, supported by a Member Reference Group, the Strategic Capital Investment Group (SCIG). This Group provides reference for the operational groups delivering the asset management priorities. (see Appendix 2)

The operational Groups are;

- Asset Management Group (AMG) – focus on delivery of asset management plan and oversight of all strategic asset management issues reporting into the Strategic Capital Investment Group (SCIG).
- Accommodation Working Group (AWG) – Focus on accommodation matters and reporting into the Asset Management Group

6. Key Challenges

In developing a rolling 3 year plan the Council will need to have a flexible approach to take account and accommodate a variety of factors and challenges which will impact on the future of the asset base. In summary these include:-

National level

The ongoing pressures on Local Government funding will produce a year on year reduction in available revenue and traditional forms of grant funding. This has placed increased pressure on how the Council uses and manages its assets in support of service delivery.

In addition there have been some key changes in Legislation. These include:

The Localism Act 2011

The Act seeks to decentralise power from the state to local communities by way of a variety of actions). Key areas under the Act impacting on the use of assets are Reform of the Planning System, Community Right to Bid, as part of which community groups can seek to bid for assets that have or continue to contribute to the social wellbeing or cultural, recreational or sporting interests of the local community, and Community Right to Challenge, which allows community groups or existing employees to bid to run Council services, as part of which alternative accommodation arrangements may be put in place.

.Disposal and Appropriation of School Land – Changes in Legislation (Education Act 2011 and new Schedule 1 to the Academies Act 2010)

The changes which came into force on 1 February 2012 means that Secretary of State consent is required if a Local Authority wishes to dispose of any school land or make an appropriation of school land. This enables the Secretary of State to consider all surplus school premises and land (regardless of size, ownership, status) against the demand for Free Schools, Academies, Studio Schools or University Technical College's ('UTC') in the area. These changes create a potentially greater risk of not securing the relevant consents from Central Government. As such the Council may not be able to fully rely on the receipts from those sales at the present time which may have an impact on budget forecasts for Capital Receipts and capital investment in Schools.

There remains an expectation by Central Government that the public sector will also rationalise its asset base to reduce costs and generate receipts to assist in reducing the budget deficit. The on-going poor performance of the property market in the majority of the UK and reduced bank lending is continuing to have a marked impact on the quantum of sales and level of capital receipts which can be realised and relied upon to support the MTFP.

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Although sites marketed in the North of the borough have attracted competitive bids, there is an issue in terms of land values in the South and the general situation is unlikely to substantially improve in the immediate future despite government-led initiatives such as the Funding for Lending and Help to Buy schemes. Alternative options will be continually explored to ensure that sites are brought forward and land values or other priority outcomes are maximized, e.g. through the use of development joint ventures and potentially through asset backed vehicles.

Corporate Level

Protection of Key Frontline Services

This is a key challenge that will inevitably require better alignment of asset provision to service delivery to reduce operational costs and achieve necessary savings. This will necessitate greater shared use of premises, both within the Council and with other organisations potentially with targeted investment to improve retained space where it will result in demonstrable improvements in service delivery.

Reducing the Level of Maintenance Backlog.

Figures below reflect the estimated level of Maintenance backlog for all the assets. Whilst there has been a decrease-in certain areas, through focused allocation of the maintenance resource and the transfer or disposal of surplus assets, other areas have seen an increase as a result of assets being resurveyed as part of the rolling programme of condition surveys and a general deterioration of the asset. It is expected that the situation will worsen over the next 3 - 5 years as capital funding remains constrained and the level of revenue funding for routine maintenance becomes increasingly stretched.

It should be noted that resources are in place in order to ensure that all operational and non operational building comply with statutory requirements.

Asset Group	Maintenance Backlog (£m)	
	2012	2013
Children's (Schools)	£ 65.1m	£63.7m
Leisure	£ 10.7m	£10.1m
Corporate	£ 8.5m	£ 6.6m
New Directions	£ 3.1m	£ 3.1m
Social Services	£ 0.73m	£ 0.71m
Tourism	£ 0.04m	£ 0.02m
Environmental	£ 1.8m	£ 1.9m

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Total	£89.9m	£86.1m
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The reduction in liability within the Schools portfolio has been driven largely by the transfer of assets arising from the recent creation of Academies and the Hawthorne's Free School.

Maintaining Revenue from the Council's Non-operational Estate.

The income stream derived from the estate (in real terms) has markedly declined as assets have been released to assist in the generation of capital receipts and support regeneration initiatives. This trend has been exacerbated by a further erosion of rents and increase in void costs caused by tenant default as adverse trading conditions continue to impact the business performance of tenants.

Without a significant intervention the portfolio will continue to lose value and influence (as a potential catalyst for stimulating regeneration and redevelopment schemes). As the estate is largely a legacy of the creation of the current Council and an accumulation of various landholdings over many years, it is an imperative that a structured review is undertaken.

A review would focus on the economic viability of the current portfolio, with a consideration of the Council's strategic ownerships in Bootle Town Centre and Southport. Where appropriate, rationalisation of the estate could create a useable capital resource and lead to the establishment of a more sustainable portfolio

7. Property Assets – Investment Priorities

Proposed Gap Analysis

Gap analysis of both the operational and non-operational property portfolios will be undertaken to identify;

- the level of required maintenance (as assessed from the condition surveys),
- including works needed in respect of statutory requirements, for instance, accessibility, asbestos, Legionella, environmental sustainability, etc;
- areas of proposed capital investment, including enhancement, replacement and shared use of facilities and provision of accommodation focused on the Council's core, freehold buildings;
- financial and opportunity savings realised through rationalisation and the level of anticipated receipts which could be relied upon (given the current and projected market conditions);
- the level of resources secured and/or potentially available to fund the Capital Investment Plan based on information known at the time the plan was prepared.

A financial summary of the capital funding requirement between current and future asset needs will be produced and then updated on a periodic basis.

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A formal disposals programme will be produced linked to the capital investment plan and the corporate requirement for capital from disposal receipts, and any agreed rationalisation of the portfolio to enable its efficient management within reducing resource.

The Council will continue to fund essential backlog maintenance and maintenance where it resolves a health and safety hazard or could remove an impediment to the delivery of front line services.

Delivery of Key Strategic Priorities

Building upon the momentum generated in previous years in regenerating key areas within the borough, the Council is committed to use its asset base to deliver the following key strategic priorities. As part of that process it will seek to align funding opportunities to those initiatives, including the allocation of specific land sites and land receipts to support the following programmes;

- **Housing Delivery Plan** - The Council signed up to the Liverpool City Region Investment Agreement in 2012, which commits all of the region's Councils to make available land for economic and housing development. There is also a commitment to explore ways to creatively use assets to underpin and accelerate programmes of investment and development. The Council is looking to maximise the delivery of new homes, both affordable and for sale, on Council owned land, to help facilitate the delivery of 510 new homes per year, as set out in the preferred option of the Council's Local Plan. This is likely to include partnerships with the Homes and Communities Agency, Registered Providers and other partners to develop new housing on a variety of Council owned sites across the borough. It may see the Council making available land towards a mixture of subsidy to deliver affordable housing.
- **Economic Regeneration** - the Council will continue to progress major development proposals involving its land resource. This would be similar to schemes such as Kings Gardens, Southport. It will initiate schemes that provide complementary support to Port Expansion which includes the provision of alternative sites and assets that facilitate business growth and displacements. It will support initiatives that assist in the support and regeneration of the key town centres across the borough

New Investment in Assets

In terms of other new capital bids for investment in property assets, these will be submitted on a case by case basis in accordance with the Council's Capital Strategy.

8. Funding Options

If the Council is to continue to invest in its property asset base it will need to consider alternative and innovative solutions to supplement more traditional funding sources as part of its resourcing strategy. All of the options listed below will be explored and where appropriate business cases will be prepared to develop these further:

- **Use of Specific Capital Allocations** – most particularly in relation to schools
- **Capital Receipts** – the Council will take a structured approach to the release of sites to ensure it maximises land values whilst at the same time disposes of problematic sites and supports the provision of affordable housing in areas of need.
- **Invest to Save** – where there is a robust economic case and a realistic payback period
- **Asset transfer** - to third parties & community organisations, in particular where organisations can take over and provide services previously delivered by the Council. The advent of the Localism Act reinforces the need for the Council to operate an appropriate policy to govern and manage any transfers.
- **Securitisation** against Council Assets and/or Covenant –the asset value of the Council's land and property could be utilised to secure useable capital or reduced revenue costs albeit in return for a sacrifice of upfront capital receipt via the following methods and investment vehicles;
 - **Sale Leaseback** – would usually be commercial properties but depending on the return and potentially increased revenue costs other operational assets could be sold on this basis
 - **Asset Backed Vehicles (ABV)** – the principle behind the proposed delivery vehicle for the Sefton Integrated Investment Strategy (SIIS) however the vehicle would have to be procured and there would be an expectation of a reasonable scale of development to justify the associated costs. A vehicle with the potential to capture additional value for the Council to be recycled in the vehicle or released for other purposes.
 - **Other Joint Venture Arrangements (JV)** – adopts similar principles to an ABV, but can be scaled up or down to reflect a more discrete or specific development outcome.
 - **Investment Funding** – this could be in the form of municipal bonds, equity funding, sub-loans (on a project by project basis) or the Council becoming an investment partner (as a lessee). This could be delivered through an ABV or as a stand-alone arrangement. The level of funding which could be delivered will depend upon the quantum, value and any mitigation of the associated risks of the projects which the Council can offer.

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- **Public Private Fund** – could be created using a cocktail of public (RGF, capital receipts, etc.) and private funding (equity investment, sub loans), which could then be targeted towards agreed priorities or used to lever in additional private investment.

- **Charitable & Heritage Trusts** – to take advantage of cost advantages in operation and broader eligibility for grant funding.
- **Shared Accommodation** – potentially through joint developments with public partners. Joint European Support for Sustainable Investment in City Areas (JESSICA) – Known locally as Chrysalis this is a substantial revolving ERDF fund to unlock development projects in the Merseyside region. Opportunities exist for the Council to put its assets in to the fund to lever in additional resources.
- **New and Existing Government Funding and Initiatives.**
 - These include
 - European Structural Funds 2014-20.
 - The Local Growth Fund from 2015
 - Regional Growth Fund (RGF)
 - Growing Places Fund (GPF)
 - Tax Increment Finance (TIF)
 - Community Infrastructure Levy (CIL)
 - Regional Venture Capital Loan Fund and Guarantees

- **Strategic Acquisition & Investment Proposals** – in particular where the strategic assembly of sites could yield a greater overall return for the Council when the assembled site is redeveloped
- **Capitalisation** – given that a number of the High Priority maintenance backlog schemes are in the region of £10,000 one option available could be to capitalise the cost of the works.
- **Additional Ad Hoc resources from Government Agencies**

9. Key Strategy & Policy Documents

This plan acts as an over arching document that sets the framework in which the Council's key, property asset based strategies, policies and procedures are developed, operated and reviewed. The other key strategy and policy documents are;

- The Asset Disposal Policy
- The Accommodation Strategy
- Community Asset Transfer Policy

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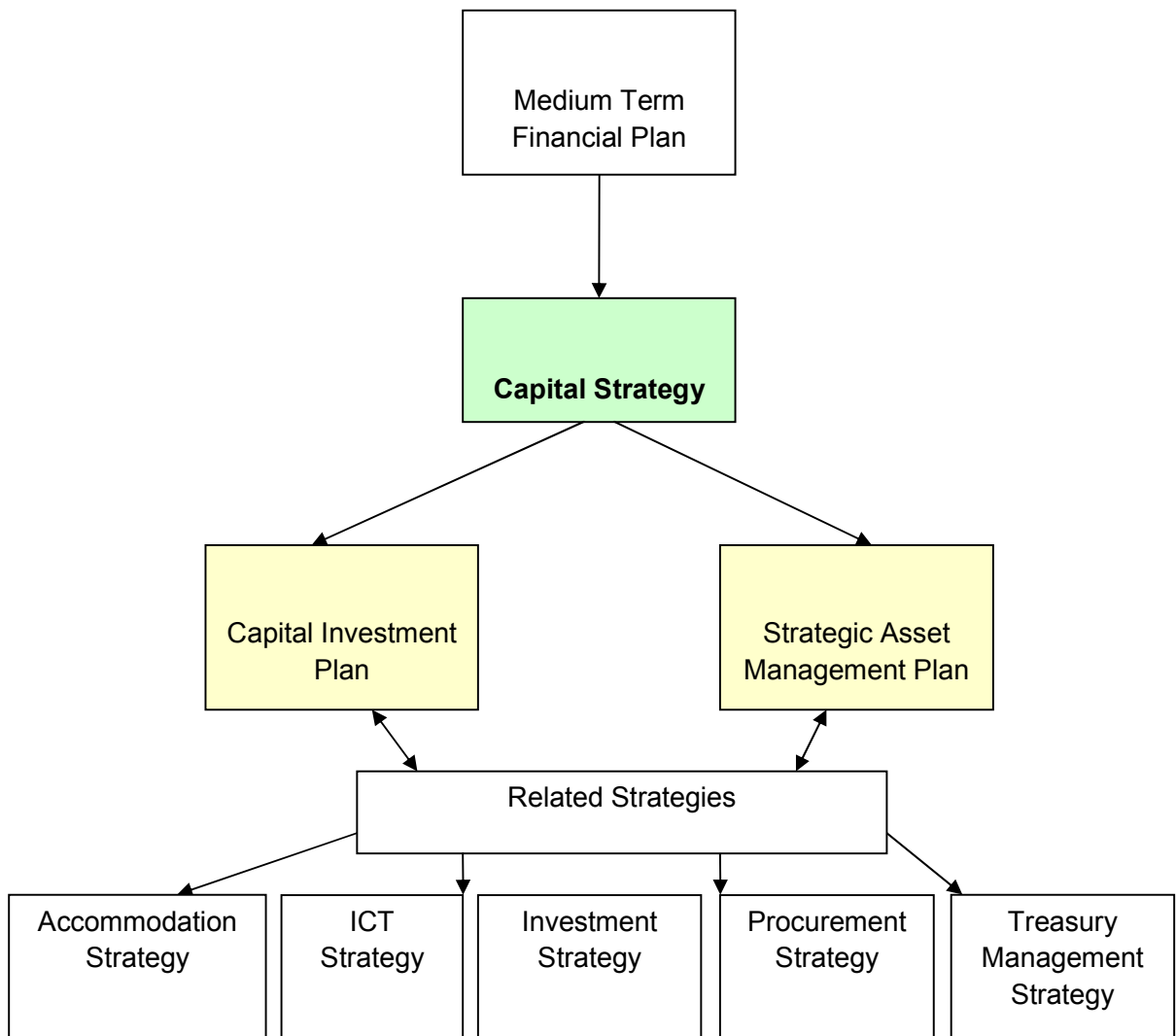
10. Review

The Plan will be reviewed annually, adapting to the review of the Council's strategic objectives, changes in policy, professional practice and changes in the economy and property markets. It does not need to be redrafted annually if the existing documentation remains valid.

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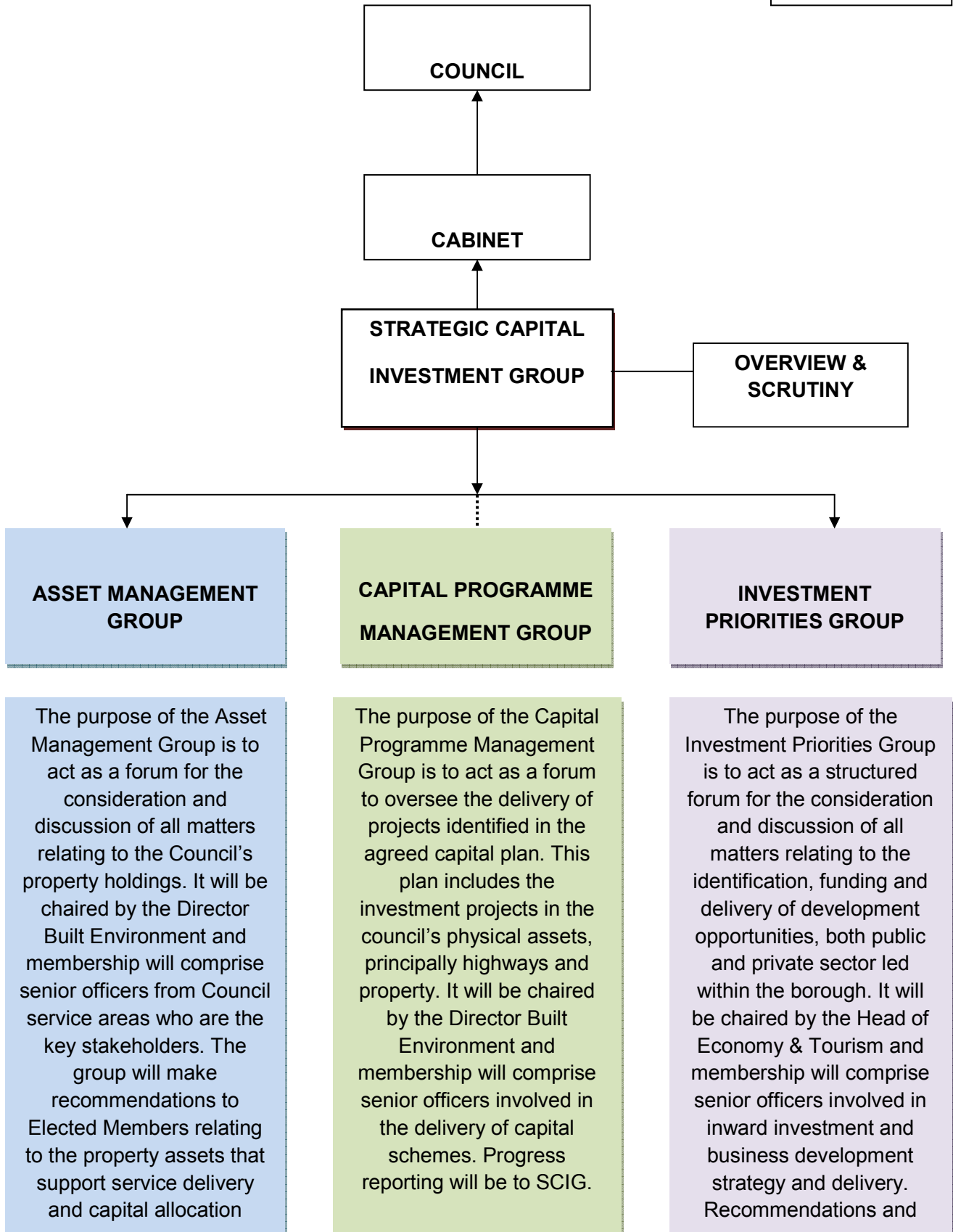
This Strategic Asset Management Plan demonstrates and sets the framework which enables the Council to build a long term asset management programme to ensure the efficient and effective use of assets to support the achievement of the Council's corporate priorities.

Capital Allocation Framework



STRATEGIC ASSET MANAGEMENT GOVERNANCE STRUCTURE

Appendix B



SUMMARY OF OPERATIONAL & NON-OPERATIONAL ASSETS

As at 13th November 2013

OPERATIONAL

400 Assets

Town Halls
 Children's Homes
 Day Centres/Family Centres
 High Schools
 Primary Schools
 Special Schools
 Youth Centres
 War Memorials
 Public Conveniences
 Children's Playgrounds
 Libraries
 Golf Courses
 Miscellaneous Others - Including Car Parks and Playing Fields, etc

NON-OPERATIONAL

589
 Assets

Allotment Sites
 Golf Courses
 Shop Units
 Shopping Centres
 Youth Organisation Buildings
 Miscellaneous commercial land & Property interests (Producing annual rental in excess of £200 per annum)
 Housing Market Renewal Assets (pending demolition)
 Vacant Sites & miscellaneous commercial land & Property interests
 (Producing annual rental per property less than £200 per annum)

RESIDENTIAL GROUND RENTS & CHIEF RENTS

3001
 Assets

Freeholds subject to long leases (Typically 999 years) and Chief Rents (not the freehold, but a right to receive a small annual payment)