

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>27 JANUARY 2020</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter, Acting Corporate Director: Resources	
Cabinet Member(s) responsible:	Cllr Seaton, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director: Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

**ASSET INVESTMENT ACQUISITION STRATEGY AND ASSET MANAGEMENT PLAN**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Peter Carpenter, Acting Corporate Director: Resources	<b>Deadline date:</b> Cabinet 24 February 2020
<p>Audit Committee is asked to:</p> <ol style="list-style-type: none"> <li>To review the Asset Acquisition and Asset Management Plan before they are approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2020.</li> </ol>	

**1. ORIGIN OF REPORT**

- The Acting Corporate Director of Resources is responsible for the update of these plans and their inclusion each year in the Medium Term Financial Strategy (MTFS).

**2. PURPOSE AND REASON FOR REPORT**

- The Asset Investment Acquisition Strategy and Asset Management Plan set out how the Council ensures its assets are properly maintained and the rules by which the Council can purchase assets in the future. These strategies are updated on a yearly basis as part of the Medium Term Financial Strategy (MTFS). This report gives Audit Committee the time to comment on the draft updates to be included in the 2020/21 MTFS papers.
- This is in accordance with the Committees' Terms of Reference – 2.2.1.15. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- This report sets out how the Council will maintain its existing assets and purchase new assets in order to fulfil service and corporate and service objectives.

**3. TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting	24 February 2020
Date for relevant Council meeting	4 March 2020	Date for submission to Government Dept. <i>(Please specify which Government Dept.)</i>	

## 4. BACKGROUND AND KEY ISSUES

- 4.1 The Asset Acquisition Strategy and Asset Management plans set out how the Council ensures its assets are properly maintained and the rules by which the Council can purchase assets in the future.
- 4.2 These strategies are updated on a yearly basis as part of the Medium Term Financial Strategy (MTFS). This report gives cabinet the time to comment on the draft updates to be included in the 2020/21 MTFS papers. These plans were also be considered by Cabinet on the 13 January 2020.
- 4.3 There have been no significant changes in legislation since last year where changes were made in terms of how Councils can purchase assets following the significant resources that have been invested in Property by a number of Councils. The acquisition paper takes account of the latest government guidance.
- 4.4 **Asset Management Plan (AMP)**
- 4.4.1 Peterborough City Council has a continued commitment to creating vibrant local communities with a strong local economy and good provision of infrastructure, housing and employment. Buildings are important in creating a sense of place and the property assets which the council owns make a contribution to creating sustainable communities within Peterborough. This presents the Council with the challenge of reviewing its property portfolio to ensure that it is optimised in terms of its resources and so that it can contribute to community needs and the Council's budget. The AMP describes the Council's asset management policy and practice.
- 4.4.2 The AMP identifies the key strategic policy and resource influences affecting the Council and sets parameters for asset management over the medium term. The plan has a five year horizon with annual reporting on progress.
- 4.4.3 The AMP defines how the Council:
- Integrates property decisions with wider Council policy;
  - Enhances the financial value from its property holdings;
  - Maintains and improves its assets;
  - Drives efficiencies within the portfolio;
  - Supports the Council's aspirations as an environmental city;
  - Listens and responds to its residents' evolving needs.
- 4.4.4 The Council owns a diverse property portfolio. These properties are:
- Operational – those supporting direct service provision;
  - Investment – those producing a positive financial return;
  - Surplus – property no longer used in service provision which are sublet or vacant;
  - Strategic land or property with growth and regeneration potential.
- 4.4.5 This diverse property estate is spread throughout its administrative area. The bulk of the estate is operational property used for direct delivery of services for which the Council has a statutory or discretionary responsibility and is predominantly freehold. The broad dimensions of the portfolio are:
- The portfolio comprises 1,741 land and property assets;
  - £3.8m rent generated per annum;
  - Is worth £425.5m in terms of book value (this excludes the asset categories: infrastructure assets; vehicles, plant and equipment; asset under construction);
  - Incurs running costs of £18.8m per annum;
- 4.4.6 The AMP includes within its appendices further detail on:

- Appendix A - Asset Management Policies and Partnerships
- Appendix B – Service Strategies and Portfolio Implications
- Appendix C – Consistency with Best Practice, Key Themes and Requirements
- Appendix D – A summary of the present Property Portfolio

#### 4.5 **Asset Investment Acquisition Strategy**

- 4.5.1 The Asset Investment Acquisition Strategy is updated to take account of both:
- the changes to legislation around how and where Councils can invest funds in Property, and,
  - ensuring there is a framework within which commercial investment decisions can be made quickly - as long as investment rules are adhered to.

- 4.5.2 The Strategy sets out the rationale of Property as an investment class including:
- Defining Property as an asset class;
  - Setting out different approaches to property investments;
  - Setting out the differences between Investment and Strategic decisions;
  - Setting out the relationship between risk and return.

An overall context is given to this asset class including the national and local market outlooks.

- 4.5.3 The requirements of an effective property portfolio is then set out including:
- Operating principles and governance arrangements;
  - Day to day management (including performance measures);
  - Acquisition, Review & Disposal Criteria.

- 4.5.4 This framework gives the council the rules within which it can look to acquire property as part of commercial and operational requirements as well as the Governance arrangements required to ensure these decisions can be made quickly.

### 5. **CONSULTATION**

- 5.1 These plans will undergo a full consultation via the scrutiny process as it forms part of the Annual MTFS.

### 6. **ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 As set out in the report.

### 7. **REASON FOR THE RECOMMENDATION**

- 7.1 This report and Strategy are presented to the Audit Committee to provide the opportunity to review the approach being applied in the Asset Acquisition Strategy and Asset Management plans in advance of it being presented to Full Council in March 2020.

### 8. **ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 These strategies have to be updated on a yearly basis. This report is part of that update process.

### 9. **IMPLICATIONS**

#### **Financial Implications**

- 9.1 The assumptions as contained in this strategy have been used to inform the Capital Financing budget as contained and detailed in the MTFS.

The financial implications from these plans feed into:

- The 5 Year Capital Programme
- The asset disposal programme
- The asset acquisition programme

### **Legal Implications**

- 9.2 There is the requirement to publish these reports and run them through the full scrutiny process on a yearly basis.

### **Equalities Implications**

- 9.3 The Council's property strategy includes equalities access and associated legislative requirements.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1
- 2018/19 Asset Management Plan
  - 2018/19 Asset Acquisition Strategy
  - 2019/20 Asset Management Plan
  - 2019/20 Asset Acquisition Strategy

## **11. APPENDICES**

- 11.1
- Appendix 1 - 2020/21 Asset Management Plan
  - Appendix 2 - 2020/21 Investment Acquisition Strategy