

## Wiltshire Council

### Cabinet

26 March 2019

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**Subject:** Approach to Disposal of Assets and Property Acquisitions

**Cabinet Member:** Cllr Toby Sturgis, Cabinet Member for Spatial Planning,  
Development Management and Property  
Cllr Philip Whitehead, Cabinet Member for Finance,  
Procurement, ICT and Operational Assets

**Key Decision:** Key

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#### Executive Summary

The purpose of the report is to create a new process for the review and disposal of surplus assets, including the need to consider alternate corporate needs as part of the process. The current approach is for Cabinet approval to be sought on every individual disposal, irrespective of their size or scale. The proposed approach is to have a robust officer process to test the options for Council assets and consider re-use for either corporate or financial needs.

The Council have set out a commercial agenda and have a desire to be more business-like in its dealings, principally to mitigate the increasing financial challenge on Council revenue budgets. The council already holds commercial and strategic land and property, producing revenue to the Council, and one business-like approach would be to expand this. Clear policy framework is required to make prudent property acquisitions and this report seeks to enable such a policy.

#### Proposal(s)

Cabinet are being asked to:

- a. Agree that in the future that Cabinet will receive an annual report on the overall disposal programme.
- b. Agree that a bi-annual update will be provided to Cabinet for noting.
- c. Agree to maintain and enhance engagement with elected members concerning proposed asset disposals.
- d. Endorse the process for decision making for disposals, as set out in Appendix One
- e. Agree that the financial threshold for pure commercial property acquisitions or commercial developments should achieve 3% or more after borrowing costs, in line with the Capital Investment Strategy.  
Acquisitions for strategic land purchases or economic development

purposes will be subject to other tests, as agreed by the Asset Gateway Group.

- f. To agree to the purchase of the investment, subject to further financial due diligence, as set out in the Part 2 paper. To delegate the decision to Corporate Director Growth, Place & Investment, after due diligence has been completed.
- g. Agree to delegate the decision to make commercial property acquisitions, subject to the threshold as set out in the Capital Investment Strategy, to Corporate Director Growth, Place & Investment.
- h. Agree that strategic property acquisitions that do not meet the threshold will be reported back to Cabinet for consideration.
- i. Endorse the Approach to Asset Management, as set out in Appendix 2

### **Reason for Proposal(s)**

To streamline the authority process associated with the disposal of surplus land and establish a forum for all operational needs to be considered as part of the asset review process. The process will include information being reported to Cabinet to inform of progress of the overall programme.

For the council to take a more commercial approach and address the challenges of revenue pressures facing the Council, one option is to explore the expansion of the property portfolio and the proposal is to allocate funds and create a policy framework for strategic property acquisitions.

**Alistair Cunningham**

**Corporate Director – Growth, Investment and Place**

## **Wiltshire Council**

### **Cabinet**

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**Key Decision: Key**

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### **Purpose of Report**

1. The purpose of the report is to review the process for disposal of surplus assets and consider the option of expanding the Council land and property holding.
2. An outcome of the report is to streamline the authority process associated with the disposal of surplus land and establish a forum for all operational needs to be considered as part of the asset review process. The revised process will include information being reported to Cabinet to inform of progress of the overall programme.
3. For the council to take a more commercial approach and address the challenges of revenue pressures facing the Council, one option is to explore the expansion of the property portfolio and the proposal is to allocate funds and create a policy framework for strategic property acquisitions.
4. Cabinet are being asked to:
  - a. Agree that in the future that Cabinet will receive an annual report on the overall disposal programme
  - b. Agree that a bi-annual update will be provided to Cabinet for noting
  - c. Agree to maintain and enhance engagement with elected members concerning asset disposals
  - d. Endorse the process for decision making for disposals, as set out in Appendix One.
  - e. Agree that the financial threshold for commercial property acquisitions or commercial developments should achieve 3% or more after borrowing costs, in line with the Capital Investment Strategy. Acquisitions for strategic land purchases or economic development purposes will be subject to other tests, as agreed by the Asset Gateway Group
  - f. To agree to the purchase of the investment, subject to further financial due diligence, as set out in the Part 2 paper. To delegate the decision to

- Corporate Director Growth, Place & Investment, after due diligence has been completed.
- g. Agree to delegate the decision to make strategic property acquisitions, subject to the threshold as set out in the Capital Investment Strategy, to Corporate Director Growth, Place & Investment
  - h. Agree that strategic property acquisitions that do not meet the threshold will be reported back to Cabinet for consideration
  - i. Endorse the Approach to Asset Management, as set out in Appendix 1
5. The approach set out in this report and specifically proposals e. and f. are linked to the Capital Investment Strategy agreed by the Council.

### **Relevance to the Council's Business Plan**

6. The disposal of assets raises capital to assist and support the Council's medium term financial plan (MTFP) which subsequently supports the Council's Business Plan and its aims and targets. Specifically, the business plan describes taking a commercial approach to managing assets as part of the Working with partners as an innovative and effective council priority.

### **Background**

7. Since its inception in 2009 the council has sold assets in excess of £70m. There are a number of other assets in the programme which are currently scheduled to be marketed and sold between now and the end of 2020/21 and it is anticipated that they will realise in the region of £30m.
8. The current approach to declaration of surplus assets is to report to Cabinet at the start of every disposal, at which point authority to execute property deals to either a Corporate Director or Director. Whilst in some instances there may be wider issues to consider there are a larger proportion of the sale that are non-contentious and could be considered de-minimus (having low or minimal value). The de-minimus sites still need to have them declared surplus, but it is inefficient to present such site to Cabinet.

### **Main Considerations for the Council**

9. As stated the purpose the report is to set out a new process for the declaration of surplus assets with an aim to streamline the Cabinet process for giving authority. At the same time to introduce a robust challenge process to ensure that corporate needs are considered early in any options review of assets.
10. It is essential that Elected Members, including Cabinet Members are informed of progress and the current approach does including communication with them. The production of the annual report and Bi- annual update provides members with earlier engagement with the proposed asset considered for disposal and allows members earlier notification of proposals. The delegation of the authority and introduction of the Asset Gateway Group does not change the need to communicate and it is still proposed that Members are informed at

key stages of a disposal. Summarised below are the minimum communication with Members, but this does not preclude further updates as required:

- a. Bi-annual report to Cabinet reporting on progress of the overall disposal programme, including a forward plan for disposals – February and September each year;
  - b. Seek comments from Cabinet and Divisional Members prior to assets being considered at the Asset Gateway Group;
  - c. Inform Cabinet and Divisional Members (copying Area Board Chairs) of decision to dispose – after being considered at Asset Gateway Group;
  - d. Inform Cabinet and Divisional Members (copying Area Board Chairs) that sites are being released to the open market;
  - e. Inform Cabinet and Divisional Members (copying Area Board Chairs) of completion of conditional contracts for sale; and
  - f. Inform Cabinet and Divisional Members (copying Area Board Chairs) of completion of a disposal.
11. As part of any option review, disposal or acquisition thorough due diligence is required to ensure that decisions taken are prudent and consider all the relevant information. The introduction of an Asset Gateway Group ensure that internal consultation / participation is improved and strengthen the due diligence already been undertaken by operational teams. Where necessary external professional advice will be sought to support the work being undertaken by officers. Whilst setting clear objectives and thresholds for the Disposal & Acquisition Portfolio means that the due diligence has to be sufficient to satisfy these, there is an aspiration that it will go further to justify any particular transaction.
12. The proposals and approach set out in this paper will be integral to the council's overall Approach to Asset Management which is attached this paper, see Appendix 2. The Approach to Asset Management will include the Asset Management Frameworks and other property-related policies referred to later in this report, and will be considered by the Asset Gateway Group (see para 11).
13. A key component of robust challenge and wider considerations is the introduction and formulation of an Asset Gateway Group. The Group will provide assurance that all property related matters are dealt with in a consistent manner and an appropriate degree of challenge given to property options. It will allow services to explore their property needs and consider the best financial outcome for surplus assets. In addition, the Group will provide the necessary safeguards to allow the Corporate Director Growth, Place & Investment to discharge their new delegations, as proposed in this Cabinet report. The Asset Gateway Group will also be considering the town and parish reviews as part of the Service Devolution and Asset Transfer Policy.
14. Terms of Reference for the Asset Gateway Group will be developed by officers and one of the first tasks of the Group will be to confirm the Approach to Asset Management and the relevant Frameworks that sit within it for various property portfolios.

15. The proposal includes allocation of finances and a governance structure for strategic acquisitions and commercial development. Should the funding be allocated, the Council will be required to compete on the open market for acquisitions and being able to react in a timely manner is key to being competitive. The proposal allows for officers to make initial assessments of proposals by having a clear threshold that must be met. The threshold is set at a level that shows clear financial advantages, recognising the detailed due diligence will be required prior to making a formal recommendation. Potential acquisitions will be approved by the Asset Gateway Group, after a robust financial business case has been submitted.
16. A Part 2 has been produced setting out a proposal for a commercial investment opportunity and giving an example of a redevelopment opportunity that exists within the Council's existing portfolio. These are included in a Part 2 paper given the commercial sensitivities of each site/transaction.

### **Overview and Scrutiny Engagement**

17. Overview and Scrutiny Financial Planning Task Group reviewed the content of this report on 21<sup>st</sup> March 2019 with any comments provided as a supplementary document to this report.
18. The proposals set out in this report seek to provide a better opportunity for Overview and Scrutiny in the future and respond to the requirements of Divisional Members to have more visibility by an enhancement of the engagement process.

### **Safeguarding Implications**

19. There are no safeguarding implications with this proposal.

### **Public Health Implications**

20. None direct, although creating additional revenue sources for the Council will enable services to be maintained and, potentially, mitigating public health issues.

### **Procurement Implications**

21. The decision to dispose or acquisition of the freehold interest does not have any direct procurement implications. However, when the appointment of agents to market the assets or when pre-marketing surveys and external due diligence is required, their procurement is carried out in accordance with the Council's procurement rules and policies.

### **Equalities Impact of the Proposal**

22. None

## **Environmental and Climate Change Considerations**

23. Where a sale envisages potential development, any environmental and/or climate change issues are best considered through the planning application process.

## **Risks that may arise if the proposed decision and related work is not taken**

24. The MTFP for the Council is, in part, dependent on the success of the disposal of property and assets. Failure to decide to declare new freehold interests to be sold or failure to sell those that are currently declared will impact on the council's ability to achieve its business plan.
25. The revenue pressures on the council will continue to increase and finding ways to generate additional revenue will put the council in a better financial position and will assist decisions to reduce service levels.

## **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

26. A risk that may arise is that due to legislative or other changes a service need arises for an asset after it has been sold and the Council then has to look to acquire or rent in an asset. The introduction of the Asset Gateway Group allows for future service need to be considered in a wider approach to the council's asset base. The aim is to avoid individual services from making asset based decisions without considering the wider benefits of site sharing, thus creating efficiencies in holding assets.
27. By delegating the whole process to officers could create a perceived risk that the wider aspirations of the Council are not considered. The introduction of the Asset Gateway Group enables high levels of consultation at a senior officer level, who will give representation of these wider aspirations so they can be taken into consideration.

## **Financial Implications**

28. As explained above, the realisation of capital from the sale of assets is used to support the MTFP and Council Business Plan. Reducing sales and the delivery of capital receipts will reduce the amount that the Council can invest in its communities and/or be used to reduce borrowings and thus free up revenue for delivering services. The disposal of surplus assets is not only integral to the council's medium term financial planning but often makes good asset management sense too.
29. Capital receipts contribute towards the overall capital programme of the Council, and targets are set for the generation of capital (either through direct sale, development or overage windfalls). The financial target for 2018/19 – 2020/21 is £24,969,320, broadly split as:

2018/19	£10,575,520
2019/20	£9,066,000
2020/21	£5,327,800

30. The purpose of the Asset Gateway Group is principally to ensure that these targets are being met, whilst seeking to explore other property solutions to improve upon individual capital return for site and thus the overall receipts of the Council. In some cases, other solutions will not be available or not provide the same level of financial return, so straight sale of assets will continue.
31. In terms of acquisition of there needs to a clear framework for individual sites to be judged against and robust due diligence to ensure acquisitions are prudent. The purpose of the Asset Gateway Group is to ensure that this framework is established and how acquisitions that including other outcomes (economic development or strategic land purchase) that sufficient tests are applied.
32. A recommendation of this report is to set a clear financial threshold for commercial property acquisitions, being proposed at 3% after factoring in borrowing costs. By setting a target in this way allows the Council to use is treasury management approach to determine how acquisitions are funding, either using prudential borrowings or windfall receipts, should they be generated over the capital receipt target set out above. This gives a clear message to the market of the financial return required. Prior to engaging with the wider market further thresholds will be established to give further clarity of the type of property being considered for acquisition.

### **Legal Implications**

33. Where disposal of a site is considered to produce the best financial return, each asset is to be sold at or above market value, thereby ensuring that the best price properly payable will be received thus satisfying the requirements of s123 of the Local Government Act 1972. Market value will be determined by either open marketing of the sites or through an external valuation being procured to reflect any special circumstances. The assets will also be categorised as strategic assets due to their strategic importance to contribute to the MTFP and will not be available for Community Asset Transfer unless Cabinet subsequently decides otherwise.
34. By delegating the decision to dispose of surplus sites to the Corporate Director this provide them with sufficient authority to execute property transactions.
35. The Council has the legislative authority to make acquisitions, under if general power of competence, but legal due diligence will be undertaken on all proposed acquisitions to ensure that no onerous conditions or obligations are taken on.



## **Options Considered**

36. There is the option of continuing with the current approach to disposals, but this may allow a framework to fully address the corporate needs of the organisation.
37. There is currently no framework for exploring acquisitions and thus by not exploring this, the Council will have to find solutions to address revenue pressures in other ways.

## **Conclusions**

38. That setting a clear set of thresholds, delegating the authority to the Corporate Director and putting in place an Asset Gateway Group gives a more efficient and robust process for the considering the options for surplus assets and further strategic property acquisitions.

**Simon Hendey (Director - Housing and Commercial)**

**Alistair Cunningham, Corporate Director – Growth, Investment and Place**

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Report Author: Mike Dawson, Asset Manager (Estates & Asset Use)

25 February 2019

## **Appendices**

Appendix 1 – Disposal flowchart

Appendix 2 – Approach to Asset Management

## **Background Papers**

The following documents have been relied on in the preparation of this report:

None

## **Appendix 1 – Surplus asset process**

# Wiltshire Council

## Strategic Assets and Facilities Management

### Approach to Asset Management 2019-2024



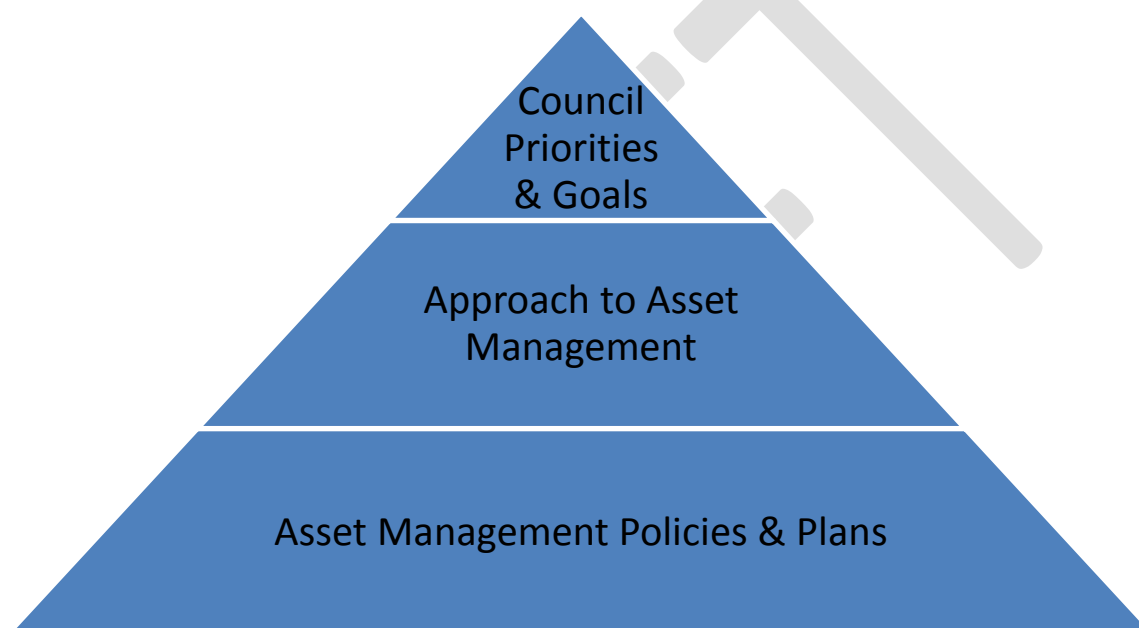
# Approach to Asset Management 2019-2024

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## 1. Document Context

This strategy describes the high-level approach employed to determine how the asset holding of the council will be used to achieve council aims and deliver against council needs. It describes how the asset holding will be managed to consistently meet the needs of the council's business and its customers. The document also describes the governance process and corporate activity that covers the management of assets.

Underpinning the approach is a range of asset management policies and plans that provide the detail for the diverse asset holding and the future activity for managing those assets.



The asset management approach, policies and plans directly support, and should be considered in the context of, the following key corporate documents:

- Capital Strategy
- Medium Term Financial Plan
- Commercial Strategy
- Treasury Management Strategy

## 2. Introduction

The Council is a unitary authority that was created from the merging of the former County Council and four District Authorities in 2009. The new authority became the owner of the public highway, social housing, and wide range of buildings, land and other assets including administrative offices, depots, leisure centres, libraries, schools, farms, commercial property as well as parcels of land, dedicated rights, etc.

The public highway assets are managed by the Highways service, and the social housing assets are managed by the Housing service. Each of those services holds its own strategies and plans for the management of those assets.

This paper is focussed on the land and property holdings managed by the Strategic Assets and Facilities Management service (SA&FM). This includes over 2000 buildings and pieces of land owned through a variety of tenure types and, in many cases, subject to occupational agreements.

Asset Management definition:

*Strategic asset management is the activity that seeks to align the asset base with the organisation's corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned. (RICS's Public Sector Asset Management Guidelines)*

There are many benefits of good asset management including:

- enabling the delivery of exceptional services for citizens, aligned with local priorities
- empowering communities
- improving the economic well-being of an area
- introducing new working practices and triggering cultural change
- reducing carbon emissions and improving environmental sustainability
- increasing co-location, partnership working, and knowledge sharing
- improving accessibility and ensuring compliance
- maximising efficiency savings, capital receipts, or revenue income
- improving the quality of the public realm.

Good asset management practice quantifies and qualifies decision-making enabling an informed choice to be made about the future of any asset.

Good asset management has a direct link to the delivery of the council's vision and priorities, and the achievement of the council's goals as set out in the Wiltshire Council Business Plan 2017-2027. The way in which assets are managed relates to the business plan in the following ways:

- *The provision of safe, secure and fit-for-purpose buildings from which council services can be delivered.*
- *Generating capital receipts from the sale of land and property to reinvest in services or assets.*
- *Generating revenue income from the estate to support the delivery of services and wider reinvestment in public services.*

- *Identifying and transferring assets and land through the Service Devolution & Asset Transfer policy to town and parish councils, and undertaking Community Asset Transfers to community groups and third sector organisations by strengthening communities and helping them to do more for themselves*
- *Contributing to fair open and honest decision making through transparency*

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### 3. Council Priorities and Goals

The council has stated its vision, priorities and goals in the Business Plan. The council's assets are deployed to support and enable the organisation and all of its services to effectively deliver those stated aims. The Approach to Asset Management addresses these aims both directly where the asset management activity delivers a benefit linked to a particular aim, or indirectly in providing spaces that enable all council services to deliver those aims.

#### Council Priorities

The Council's vision is to create stronger and more resilient communities and make Wiltshire an even better place to live, work and visit. This is supported through the achievement of three Business Plan priorities:

- *Protecting the Vulnerable*
- *Growing the Economy*
- *Strong Communities*

This document sets out how the Council's asset holding can be utilised to ensure that these priorities and the resultant goals can be achieved.

#### Council Needs

To be considered suitable, any building must meet legal and compliance standards, be generally of a type and condition that is acceptable for the nature of use, and compliment and improve service delivery.

To ensure that the assets are the right mix this strategy delivers the following outcomes;

1. Full definition and understanding of the reason for holding an asset and its contribution to achieving the business plan.
2. Continual review of the asset portfolio and provision of asset expertise in service-led reviews to ensure that there is informed strategic and corporate decision-making about land and property.
3. Opportunities to rationalise and optimise assets are continually sought, along with opportunities to co-locate and share space with strategic partners.
4. Ensure that asset holdings and any land/property transaction support the council's Capital Strategy, Treasury Management Strategy, Commercial Strategy, and Medium Term Financial. Maximise returns from any commercial land and property transactions in support of the revenue budget and Capital Management Strategy and Capital Investment Strategy.
5. Look at innovative ways, through land and property, to support the creation of stronger more resilient communities, including using land to enable development that would not normally delivered by the private sector

### Wider Activity

Beyond the aims and needs of the authority stated above, there are wider outcomes that exist at a local, regional, national or international level, toward which the authority may need to contribute. Current asset management activity therefore includes:

- Engagement in the One Public Estate programme to make efficient use of public assets across Wiltshire
- Provide opportunities to develop resilient and future proof infrastructure developments

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## 4. Governance

The council's Cabinet provides the constitutional authority for all asset management activity. Through the Scheme of Sub-Delegation, authority is delegated to a Cabinet Member, Directors or SA&FM depending on the scale and complexity of the decision. Where appropriate and necessary, asset decisions will be subjected to the council's scrutiny process commensurate with the type and nature of the decision. Day to day asset decisions and authorities rest with SA&FM. The activity of the service is directed by approved asset management policies and plans.

From the corporate perspective, wider asset decisions require input from across the organisation in order to ensure that asset management suitably supports corporate and service aspirations and needs. The council operates an Asset Gateway Group (AGG), engaging senior officers of the council that have an interest in land and property. The purpose of the group is to ensure that a corporate approach is applied to all significant land and property decisions. The Group will consider service-based property decisions as well as decisions relating to disposal or redevelopment, and for strategic acquisitions of property assets.

The AGG will assist the Corporate Director Growth, Investment & Place and the Director Housing and Commercial Development in the discharge of the scheme of sub delegation in respect of assets. The AGG will also ensure that all corporate and service considerations are captured and included in update and decision papers that require Cabinet approval. Cabinet therefore has a full corporate view and options for each asset decision.

The terms of reference for the Asset Gateway Group are attached in Appendix 1.

## 5. Asset Management Approach

### Corporate Landlord model

The key element in the approach to managing assets will be to operate a Corporate Landlord model. This essentially ensures a corporate view over all asset decisions rather than focusing exclusively on the specific needs of a particular service.

***The authority will implement a ‘corporate landlord’ approach to management, and Housing & Commercial Development will oversee, commission and deliver all activity relating to this.***

For an explanation of the corporate landlord model see Appendix 2. This approach has been shown to improve oversight and delivery of compliance, decreasing the risk of service continuity failure, lack of availability of facilities or related services, and risk to health and safety for the public and council staff. Improving the compliance and safety of facilities used by vulnerable will improve protection by enabling vulnerable individuals to move moved to more appropriate accommodation and reduce the risk to those individuals during occupancy.

The corporate landlord model will function best with a single, suitably competent and qualified service area overseeing all aspects. Housing & Commercial Development will maintain the necessary competencies and systems, reducing the resource impact on other council services so they are able to concentrate on service delivery.

Services will have a role in the corporate landlord model as they will be the decision makers for all non-compliance works and have the power to make decisions over repairs and improvements required for their buildings delivering services.

### Provision of Facilities

***Appropriate facilities in the relevant geographical area will be provided as necessary and as required by the occupying services.***

The asset base needs to provide suitable facilities to discharge the statutory and discretionary services provided by the council and the asset management approach will create an environment that is adaptable to the changing service needs.

### Maximise Return

***All property transactions will provide the best financial return, assessed against security and risk, to the council unless there is a clear and transparent reasons for not doing so. Where service, social or other factors require an undervalue of financial return, the relevant service or “sponsor” will qualify and justify the different approach.***

It is essential that financial transparency is provided across all asset deployment and decisions, including providing clarity over the asset costs associated with service delivery. Where partners are engaged to provide services that require occupation of council assets, there must be a clear recognition of the associated costs, although a service (sponsor) may

be empowered to offer concessions provided they qualify and justify the financial risk associate with such a concession.

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## 6. Asset Portfolio Approach

The council requires full definition and understanding of why all assets are held. To ensure this, a portfolio approach is applied to asset management. Assets are categorised into portfolios, each of those portfolios has key principles, management policies, and an overall aspiration. Assets are divided into 3 main portfolios:

### Operational Portfolio

- Assets held exclusively and purposefully for the delivery of council services and delivery of Business Plan objectives.
- These assets are either owned freehold or leased from third parties.
- Includes hub buildings, leisure centres, depots etc.
- Aspiration - **to provide the right buildings in the right place to maximise efficiencies that enable the council to deliver its services and business plan goals, and to maximise opportunities for co-location of services and other public sector partners.**

### Investment Portfolio

- Assets held primarily for the delivery of a financial return.
- Have no or limited wider intrinsic benefit other than generating current, or potential future income (revenue and/or capital)
- Includes commercial estate, reversionary assets etc.
- Aspiration - **to actively manage and grow the investment portfolio of high performing assets, the returns from which support or fully fund the operational portfolio.**

### Disposals and Acquisitions Portfolio

- Assets in transition either leaving or coming into the council's ownership
- Includes assets being transferred through the Community Asset Transfer or Service Devolution and Asset Transfer policy.
- Includes assets being acquired, assets being developed, or assets sold for capital receipt to generate the best financial return.
- The Capital Strategy clearly sets out the approach and statutory regulations which govern this type of asset as well as the corporate indicators attached to this classification of asset.
- These types of asset will be clearly assessed with regard to security, liquidity, and yield in that order of importance.
- Aspiration - **to commercially consider the best future outcome - disposal, development, or re-use - for any asset in order to generate the best financial return, and to acquire strategic property assets that generate sustainable income.**

The 3 portfolios are further refined and subdivided as shown in the table below. Each of the categories has different characteristics, objectives and principles which further define each portfolio, the detail of which is at Appendix 3.

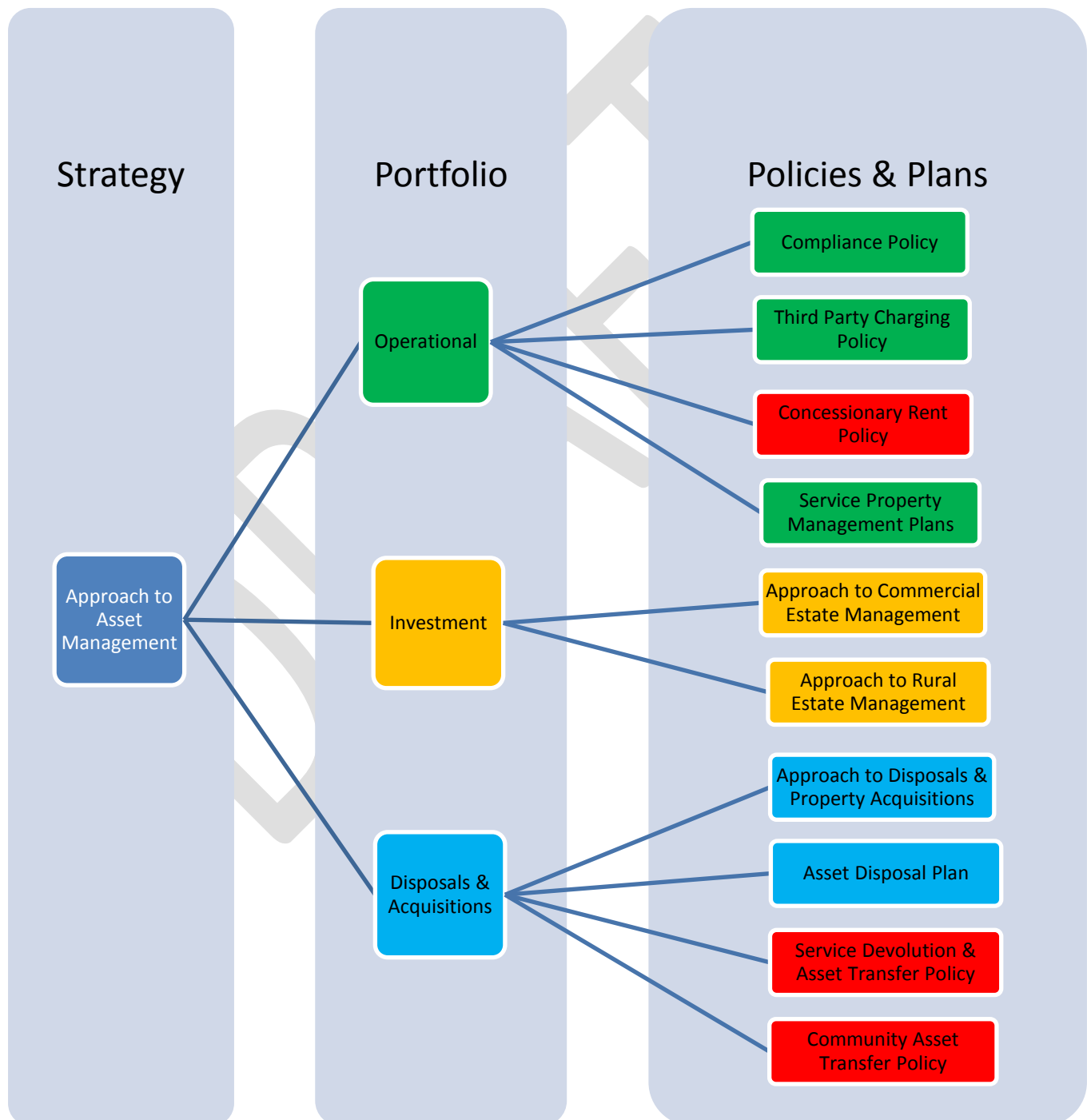
Portfolio	Characteristic	Category	Qualifying features
Operational	Council service delivery	Required	Front line delivery of Council functions Council staff in occupation
	Council staff or engaged partners in occupation	Tenanted	Premises from which third parties deliver Council functions
		Held for future use	Property held for future delivery of direct or indirect Council functions
Investment	No Council staff in occupation	Commercial	Commercial properties let out at market rent on short leases (less than 20 years)
	Held primarily for monetary purposes	Reversionary	Land and property held or let out on long leases
		Asset of Social Benefit	Land and property let out on short leases with low value rents
Acquisition & Disposal	Assets no longer required by the Council (end of life in terms of service delivery)	Market Sale	Assets being sold for at market value Restrictions on sale do not have an impact on likely capital receipt Sites being considered to re-use for
		Transferring assets	Assets being sold at less than market value or being transferred at nil consideration
		Acquisitions and development	Assets being acquired or redeveloped to deliver service or investment needs

An asset may move between portfolios and categories throughout its life, depending on its use. The reason the council is holding an asset may change. For example, an Operational asset that is no longer required by a service may move into the Disposal portfolio if it is going to be sold to generate a capital receipt.

## 7. Asset Management - Policies and Plans

Each of the portfolios has a range of supporting Asset Management Policies that determine how assets will be managed. Some policies will cover more than one portfolio. Further to these governing policies, Asset Management Plans (Frameworks) for each portfolio then detail what activity is planned for the assets over given periods of time. In addition, there may also be service specific plans that deal with specific service requirements and either short or long-term aspirations to make changes to the asset base.

The key policies and plans are set out below. The list of policies/plans is not exhaustive.



The Policies highlighted in red are corporate held policies that have a direct impact in the delivery of the Asset Management approach.

Asset Management Plans will consider and contain the following:

- Take a medium to long term view
- Establish clear strategic approaches to the utilisation of space and flexible working, and co-location with partners and stakeholders
- Demonstrate a clear link to the corporate vision, priorities and goals, and to all statutory requirements and explain how asset management will assist in delivering those outcomes.
- Outline the objectives for each asset
- Consider all options for each asset
- Full financial appraisal illustrating the financial implications of the plan.

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# Appendix 1

## Asset Gateway Group - Terms of Reference

### Purpose

The overall aim of the AGG is to aid the corporate landlord in decision making in terms of the council's existing land and property assets, including disposal or redevelopment, and for strategic acquisitions of commercial property assets.

The AGG will provide a structured forum for discussion about the deployment of the council's land and property assets. The AGG will assist the Corporate Director Growth, Investment & Place and Director Housing and Commercial Development in the discharge of the scheme of sub delegation in respect of assets.

### Terms of Reference

The AGG will:

- Manage and endorse the frameworks against which the council's asset portfolio is classified and tested. Specifically, the classification of the estate as those assets which are held as '**operational portfolio**', '**investment portfolio**' or '**disposal and acquisition portfolio**' and their respective sub categories:
  - Operational Portfolio
    - Operationally Required
    - Operationally Tenanted
    - Strategic Delivery
  - Investment Portfolio
    - Revenue Assets
    - Reversionary Assets
    - Assets Held for Sale
  - Disposal and Acquisition Portfolio
    - Market Sales
    - Acquisition and Redevelopment
    - Transferring Assets
  
- Where appropriate Asset Management Frameworks will be developed for each of the portfolios, or other policies that fall within particular sub-categories.
  
- Assist the Corporate Director Growth, Investment & Place and Director Housing and Commercial Development in discharging their function when it comes to the future status of assets and their place within the portfolio and assets transition between categories.
  
- Make recommendations to Cabinet in line with Asset Management Strategies, Policies and Plans.
  
- Consider the resource and cost implications of any asset category change on the:
  - Market Disposal Portfolio
  - Transfer Asset Portfolio
  - Closures/Decommissioning of operational buildings



- Service review programmes, including deliver of business plan objectives
- FM Capital Maintenance programme
- Confirm that service areas can declare assets surplus to their individual needs and be capable of re-use corporately.
- Authorise the freehold disposal of surplus assets, provided they have been recommended in line with the relevant Market Sales Asset Management Framework
- Authorise the acquisition of commercial property, provided they meet the targets set out in the Acquisition and Redevelopment Asset Management Framework. Where market conditions require an expedient decision, the Executive Members will be determine the matter in isolation, subject to framework criteria being met.
- Maximise the income from the estate both in terms of capital receipts and revenue return and assess the balance of risk across the investment portfolio.
- Consider requests for new property, either service led or acquisition for revenue purposes
- Provide an annual report to Cabinet setting out future disposals and provide an bi-annual update on capital receipts

## Membership

The AGG will consist of the following permanent members, or their elected nominees:

- Corporate Director Growth, Investment & Place
- Director Housing and Commercial Development
- Head Strategic Assets and Facilities Management
- Director Economic Development and Planning
- Director Highways and Transport
- Director Waste and Environment
- Director Learning Difficulties and Mental Health
- Director Education and Skills
- Director Commissioning
- Director of Legal & Democratic (Monitoring Officer)
- Director Finance and Procurement (s151 Officer)

Membership will be extended to other service areas on a case by case basis

## Executive Members

The Executive Members of AGG will be able to consider urgent matters in consultation with each other and consist of:

- Corporate Director Growth, Investment & Place
- Director Housing and Commercial Development Associate Director People and Business
- Director Finance & Procurement (s151 Officer)

- Director of Legal & Democratic (Monitoring Officer)

### **Frequency**

The AGG will be held every 4 to 6 weeks

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## Appendix 2

### The Corporate Landlord model

Following the move to unitary, property budgets were centralised and handed to Housing and Commercial Development directorate, previously this was devolved down to individual services. The team are responsible for all aspects of the council's property and their remit includes...

- Maintenance of fixed assets
- Ensuring compliance obligations are fulfilled
- Managing running costs (including business rates, utilities, cleaning, energy)
- Tenant management (leases and licences)
- Acquisition and disposal of property assets
- Advice on the balance of the Investment Portfolio
- Capital maintenance of assets to improve the economic and functional life of an asset

While the consolidation of responsibility has brought with it much efficiency it has meant that services do not have an oversight of the true cost of running services. The model will include budget devolution where service areas will have direct control over non-compliance activities and hold the overall budget responsibility, whilst the provision of works will remain with SA&FM. A full trading account approach will be developed.

The overarching role of the Corporate Landlord is to understand the needs and objectives of the organisation and how this can be best met through the deployment of property assets. Under this approach each service needs to justify their requirements and accept that a flexible approach to property is required, that allows opportunities to maximise efficiency and minimise operating costs.

## Appendix 3

### Asset Portfolios

<b>Operational Portfolio</b>	
<b>Aspiration</b>	<b>To provide the right buildings in the right place that enable the council to deliver its services and business plan goals, and to maximise opportunities for co-location of services and other public sector partners.</b>
<b>Category</b>	<b>Operational Required</b>
<b>Characteristics:</b>	Used for the by front line services and other staff for services directly delivered by Wiltshire Council or and property held to fill a statutory function /purpose
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Principally occupied by staff directly employed by Wiltshire council or land/property used to for fill a statutory (or discretionary) function</li> <li>• Clear link between service being delivered and the councils business plan</li> <li>• Third parties and partner organisations may use or occupy part of the building in an ancillary capacity subject to appropriate charges</li> <li>• Assets may be leased in or owned freehold</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Seek to maximise efficiencies in property running costs and maintenance backlog</li> <li>• Property utilised to maximum capacity including sharing between services and colocation with other public sector partners via established occupation agreements and charging policy</li> <li>• Reduction of the number of assets leased in for occupation</li> </ul>
<b>Category</b>	<b>Operational Tenanted</b>
<b>Characteristics:</b>	Used by contracted third party or commissioned providers for the delivery of council services
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Property is wholly used by a commissioned or contracted provider</li> <li>• Council staff may use the building where this is ancillary to the contracted use</li> <li>• Occupation offered only where there is a clear link to the Council's business plan</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Operating costs and liability for property transferred to third party occupier via formal lease and/ or service charge arrangements</li> <li>• Full market rate charged with concessionary rent policy applied where applicable</li> <li>• Property costs are fully reflected in the appraisal of commissioned services at the tender stage</li> </ul>
<b>Category</b>	<b>Held for Future Use</b>
<b>Characteristics:</b>	Assets held for delivery of wider council service objectives
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Proposed future for asset has a clear link to the Council's business plan and is clearly defined within a directorate service plan</li> <li>• The need to hold the asset is clearly defined by a credible business case which demonstrates viability and consideration of credible alternatives and impact on FM budget, medium term financial plan and capital programme and wider objectives</li> <li>• The future aspiration is supported by appropriate policy such – e.g adopted Core Strategy, Neighbourhood Plan or other DPD, housing strategy, relevant vision document, other council strategy or service plan</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Options to manage asset prior to delivery are explored e.g manage as void, short term lease at market rent, demolition</li> <li>• Opportunity cost of capital receipt and calculation of NPV of proposal is a key consideration in the business case</li> <li>• Opportunities to minimise costs while assets are held (e.g. short-term lease)</li> </ul>

# Investment Portfolio

<b>Aspiration</b>	To actively manage and grow the investment portfolio of high performing assets, the returns from which support or fully fund the operational portfolio.
<b>Category</b>	<b>Revenue Assets</b>
<b>Characteristics</b>	Assets held to generate revenue as part of the council's medium term financial plan
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Assets are not linked to other corporate priorities or objectives</li> <li>• Operating costs and liability transferred via full repairing lease or service charge applied where applicable</li> <li>• Financial performance linked directly to the Councils medium term financial plan and an established return on investment</li> <li>• Full assessment based on security, liquidity, and yield</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Assets tested against financial target to determine whether they are retained</li> <li>• Annual improvement of revenue income net of borrowing and operational cost</li> </ul>
<b>Category</b>	<b>Reversionary Assets</b>
<b>Characteristics</b>	Land and buildings which are held for the long term due to their ability to realise capital receipt in the future
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Asset moved to surplus when commercial advantages or development potential can be realised and marriage value can be achieved</li> <li>• Potential future capital value should market conditions improve or circumstances change is considered to be greater than existing investment value</li> <li>• Assets are not used to deliver council services or wider objectives</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Maintenance and management costs reduced or transferred while asset held</li> <li>• Asset could be the subject of long term lease</li> <li>• Decisions link directly to the Councils medium term financial plan</li> <li>• Where opportunity exists to generate suitable levels of capital it is taken</li> </ul>
<b>Category</b>	<b>Assets of Social Benefit</b>
<b>Characteristics</b>	Assets held that are held to benefit the local area or facilitate utility provisions
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Land and property let out on short/medium term leases with low value rents</li> <li>• Land held to enable utility providers to deliver infrastructure requirements</li> <li>• Land and building held that deliver a community benefit to an area</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Maintenance and management costs reduced or transferred while asset held</li> <li>• Assets given consideration to transfer to lower tiers of local government, assuming they are not immediate adjacent other assets held</li> </ul>

Until this report is published, even if it is ultimately to be considered in Part I, it should not be circulated beyond the Cabinet (excepting officers writing and reviewing the paper through this process) or sent externally, and its contents should be treated as confidential.

<b>Acquisition and Disposal Portfolio</b>	
<b>Aspiration</b>	<b>To commercially consider the best future outcome - disposal, development, or re-use - for any asset in order to generate the best financial return, and to acquire strategic property assets that generate sustainable income.</b>
<b>Category</b>	<b>Market Sales</b>
<b>Characteristics</b>	Land and buildings declared surplus which can be disposed of in order to realise a capital receipt and/ or revenue saving
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Assets which are surplus to operational need, have no value as reversionary or revenue asset</li> <li>• Assets which are not subject to a transfer to either town/parish council or a community group</li> <li>• Assets being sold for at market value</li> <li>• Restrictions on sale do not have an impact on likely capital receipt</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Assets declared surplus are marketed in order to achieve 'best price reasonably obtainable' in order to comply with section 123 of the Local Government Act 1972</li> <li>• Options to manage the asset prior to sale properly explored e.g. manage as void, short term lease at market rent, demolition</li> <li>• Sales target established and linked to Medium term financial plan</li> </ul>
<b>Category</b>	<b>Transferring Assets</b>
<b>Characteristics</b>	Land and buildings that are being transferred to community groups or lower tiers of local government at low or nil value
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Assets which are surplus to statutory need, but have a community benefit</li> <li>• Assets that do not attract a reasonable market value, for existing use or alternate uses</li> <li>• Assets that have been authorised for transfer under the Community Asset Transfer or Service Devolution &amp; Asset Transfer policies</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• Maintenance and management costs reduced while asset held</li> <li>• Assets are transferred as they stand, in existing condition, as quickly as possible</li> <li>• All liability transferred to new owner, either by freehold transfer or full repairing lease (usually 125 years)</li> <li>• Acknowledged that "best consideration", as defined by section 123 of the Local Government Act 1972 is not be obtained, as social benefits are considered of greater importance</li> </ul>
<b>Category</b>	<b>Acquisition and Development</b>
<b>Characteristics</b>	Assets being acquired or redeveloped to deliver service or investment needs
<b>Qualifying features</b>	<ul style="list-style-type: none"> <li>• Assets in the process of being acquired that are not currently in the Council's ownership</li> <li>• Assets in the Council's ownership but in the process of being redeveloped for commercial purposes</li> </ul>
<b>Objectives and considerations</b>	<ul style="list-style-type: none"> <li>• That a financial threshold for commercial property acquisitions is achieved at a rate above borrowing costs.</li> <li>• Strategic land purchases or economic development purposes will be subject to other tests, as agreed by the Asset Gateway Group</li> </ul>