
ASSET STRATEGY AND POTENTIAL ASSET DELIVERY PROGRAMME

1 PURPOSE OF REPORT

- 1.1 To present and seek approval of the Asset Strategy set out in Appendix 1.
- 1.2 To present the emerging thinking of the Member Working Party on a potential Asset Delivery Programme, as set out in exempt Appendix 2.

2 INTRODUCTION

- 2.1 Further to the recommendation of the Investment Board on 14 March 2018, a Member Working Party was established to work with officers to prepare a Strategy for submission to the Investment Board.
- 2.2 The Member Working Party comprised Cllrs G J Ioannou, M J Lucas-Gill and A L Williams who met with officers for three workshops.
- 2.3 Previous reports to the Investment Board refer to a Capital Asset Investment Strategy and an Investment Delivery Programme; these documents will be known as the 'Asset Strategy' and 'Asset Delivery Programme' respectively going forward to ensure clarity and separation from other Council strategies.

3 MEMBER WORKING PARTY

- 3.1 The Working Party has debated and agreed the vision and objectives of the Asset Strategy (the 'Strategy'). The Strategy sets out the principles upon which the Council will make future decisions on its property assets. These principles reflect the Council's strategic objectives (as set out in its corporate Business Plan) and the financial challenges it faces over the next ten years. The Strategy sets out the framework against which an Asset Delivery Programme would be developed and delivered. Decisions relating to individual sites within the eventual Programme would be based on principles that reflect the Council's strategic goals, risk appetite and financial envelope.
- 3.2 The Strategy is appended to this report at Appendix 1 and is recommended by the Working Party for approval by the Investment Board.
- 3.3 The Working Party also spent some time developing emerging thinking around a potential Asset Delivery Programme (the 'Delivery Programme') that could meet the criteria set out in the Strategy. The results of these deliberations are set out in exempt Appendix 2. It is intended that this emerging thinking would form the basis of further expert analysis by technical property development and financial consultants, to ensure high level viability, before it is presented to a future meeting of the Investment Board for approval.

- 3.4 The purpose of the eventual Delivery Programme would be to validate the scale and nature of opportunities available to the Council and establish, through a high level assessment, the best order of prioritisation, having regard to the Strategy. Once the final Delivery Programme is approved, business cases for development on a site by site basis will be brought forward. Each business case will set out in more detail how the development of a site would be commercially structured and delivered; the benefits this would secure for the Council; and the resources and time required to achieve this. Once the business case for a site(s) is approved through the appropriate governance route, then the development of that site would begin.
- 3.5 Officers have held initial discussions with a leading property and construction consultancy firm on developing a Delivery Programme. This initial work is anticipated to cost in the region of £10,000-£15,000. Additional financial analysis will also need to be commissioned to validate the assumptions used and assess affordability. It is anticipated that both of these pieces of work can be met from existing underspends relating to previously agreed budgets for asset strategy development work.

4 RISK IMPLICATIONS

- 4.1 The Strategy reflects the scale of ambition the Council has for its property assets. In order to ensure that development opportunities are brought forward in an appropriate and sustainable manner, it is vital that the Council seeks appropriate technical and financial advice on the viability of its proposals so that an eventual Delivery Programme represents the best outcomes (financial and non-financial) for the Council and, above all, is deliverable without unnecessary risk. The Council must maintain a balanced risk profile overall which is commensurate with its risk appetite. Careful consideration should, therefore, be given to any portfolio of projects to be undertaken and the resources available to deliver these, as well as the level and timescale of any benefits to be delivered in support of the objectives of the Strategy.
- 4.2 Ensuring that there are robust detailed business cases for each site within the eventual Delivery Programme and that sufficient resource is dedicated to each project, including dedicated project management and delivery resource, will be fundamental to managing the risks associated with a programme of activity of this magnitude.

5 CRIME AND DISORDER IMPLICATIONS

- 5.1 None

6 ENVIRONMENTAL IMPLICATIONS

- 6.1 None

7 RESOURCE IMPLICATIONS

- 7.1 The Asset Strategy, a proposed Asset Delivery Programme and individual site by site business cases are required in order to ensure prudent use of the Council's limited resources.
- 7.2 It will be essential to engage specialist technical and financial advice at an early stage so that the Council can be assured that any future Delivery Programme which it agrees to is achievable and offers value for money. It is anticipated that this initial work can be met from existing underspends from previously agreed budgets for asset strategy development work.
- 7.3 The final Delivery Programme should support delivery of the Council's Medium Term Financial Strategy position and wider strategic objectives, and be affordable within the Council's available resources, unless a business case adequately demonstrates the need for external borrowing.
- 7.4 The final Delivery Programme will specify the overall level of resources (both new and opportunity costs) required in more detail. In addition, each individual business case will clearly set out the investment required to deliver it.

8 LEGAL IMPLICATIONS

- 8.1 None arising directly from this report; this will be reviewed at each further governance stage and reported accordingly.

9 PARISH IMPLICATIONS

- 9.1 None

10 EQUALITY AND DIVERSITY IMPLICATIONS

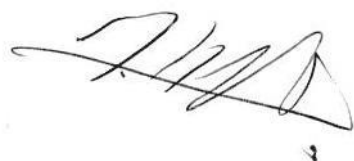
- 10.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between those who share a protected characteristic and those who do not.

An Equality Impact Assessment has been completed and there are not considered to be any equality and diversity implications at this initial stage. When specific projects begin to be developed, with changes being made to existing services or new interventions being designed, full Equality Impact Assessments will be undertaken.

11 RECOMMENDATION

11.1 It is proposed that the Board **RESOLVES**

- (1) That the Asset Strategy at Appendix 1 be approved.
- (2) That the emerging thinking from the Working Party on a potential Asset Delivery Programme at exempt Appendix 2 be noted.



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Background Papers:-

None.

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Rochford District Council

Asset Strategy 2018-2028

‘An optimised asset base that is fit for purpose, delivering capital receipts to help fund future investment and revenue income streams where appropriate, enabling quality service delivery for residents and visitors through a sustained programme of transformation’

Executive Summary:

This Asset Strategy (the ‘Strategy’) sets out the Council’s priorities for its asset portfolio, taking into account the Council’s strategic objectives (as set out in its corporate Business Plan) and the financial challenges it faces over the next ten years. The Strategy provides a clear framework against which future decisions about the Council’s assets can be assessed.

The Strategy is underpinned by clear principles (strategic and financial).

The efficient use of public assets can bring forward new homes, drive economic growth and regeneration and assist in the delivery of more efficient and improved public services. This Strategy sets out the principles and objectives on which to base future investment in the Council’s assets.

The Strategy focuses on the Council’s strategic built assets and land holdings and will align with the Council’s other key strategies and the Business Plan.

The Council has limited resources and is faced with the challenge of applying these in the most effective manner to a relatively large number of sites which the Council owns. The Council needs to drive value and efficiency in its property portfolio, addressing inefficiency and potentially reducing its operational footprint. In essence, the Council needs to have a ‘right sized’ property portfolio and property function as part of a holistic and balanced approach to improving front line services that best exploits property as a facilitator for customers to access Council services.

In addition, the way in which the Council, its officers, its residents and business occupiers use operational spaces continues to evolve and in particular reflects the

impact of technology in everyday life. The Council's property portfolio must be similarly future-proofed.

There is a strong desire to start driving greater benefits from property interests, recognising a number of financial and social imperatives that the Council faces including the changes to local government finance arrangements. There is also a clear linkage as to how the Council can use its property assets as a regeneration catalyst in parts of the District.

Vision:

'An optimised asset base that is fit for purpose, delivering capital receipts to help fund future investment and revenue income streams where appropriate, enabling quality service delivery for residents and visitors through a sustained programme of transformation'

The Strategy has the following Objectives:

Financial

To reduce the ongoing revenue costs (such as facilities management, repairs and maintenance) associated with managing the Council's assets

To generate revenue income streams from the Council's assets where appropriate.

To generate capital receipts from disposal of surplus assets to help fund future investment.

Regeneration /place shaping

To improve the local area and facilities for local residents and businesses.

Transformational

To provide fit for purpose office accommodation for council staff and key partners in order to drive efficiencies through a 'digital' first way of working.

Rationale:

The Strategy will provide a framework under which a balanced portfolio of projects can be delivered within the Council's risk appetite and available resources. This would ensure that future projects contribute to the overall financial sustainability and wider business plan objectives of the Council in future years.

The Strategy will ensure prudent use of the Council's limited resources. Any programme of capital investment should support delivery of the Council's Medium Term Financial Strategy position and wider strategic objectives, and be affordable within the Council's available resources, unless a business case adequately demonstrates the need for external borrowing.

The Key Criteria Underpinning the Strategy are:

- 1 For the Council to optimise the use of its assets
- 2 For the Council to make evidence based decisions on the future of its assets supported by robust business cases setting out the financial and non-financial costs and benefits of any proposal.
- 3 For the Council to fully understand the risk profile of each proposal and consider this as part of its entire asset portfolio.
- 4 To use capital receipts and external borrowing (if appropriate and supported by a robust business case) to fund future investment in the Councils assets, to maximise the overall long term return to the Council
- 5 To be fully aware of the potential ongoing impact of any revenue costs on Council Tax payers when making decisions on the Councils assets
- 6 To carry out agreed asset delivery plan activities at pace while ensuring that appropriate due diligence is undertaken as required
- 7 To make investment decisions on a commercial basis while, wherever possible, ensuring these align to wider policy benefits
- 8 To facilitate Investment Board consideration/endorsement of asset proposals to allow onward recommendation to Full Council where required, in line with the governance routes set out in the constitution and financial regulations.
- 9 To regularly report the performance of the asset delivery programme to Investment Board and/or Full Council as appropriate

The Council's Asset Base

In general terms the Council may hold land and property to meet the following objectives:

- | | |
|-------------------------------------|--|
| 1: Operational: | To service our office accommodation needs for our staff or partners. |
| 2: Financial | To generate revenue income and/or for capital investment. |
| 3:Regeneration / Development | To regenerate an area of the District. |
| 4: Heritage | To promote the heritage offer for the local area. |
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In the preparation of this Strategy, the Council has reviewed its assets and identified those which are of key strategic value (see below). The Council will review its assets periodically to ensure its assets continue to meet these objectives. If they do not, then disposal of the asset will be actively pursued as an option, subject to a detailed business case and appropriate governance.

Future Service Delivery:

In order to develop the principles a delivery programme would be based on some key questions regarding the future of the Council's estate need to be addressed.

The answers to these key questions will shape what the Council's asset base will look like in 10-15 years time. This will future proof the Council's property portfolio, ensuring that it has an asset base that is fit for purpose and that it delivers high quality and efficient operational spaces.

Key questions

1. Should the Council operate from single or multiple sites?
2. Where are the sites best located?
3. What functions and services need to be delivered at each site?
4. How can the assets be used more efficiently through shared space?
5. How can the Council seek to fulfil its strategic place shaping role in the regeneration of Rochford District?
6. Is there a long term commitment to continue to provide community facilities currently provided by some of our assets?
7. How can the assets complement and fit with modern ways of working including the use of technology?

Asset Delivery Programme:

The Asset Delivery Programme will consider the future service delivery needs of the Council and determine how the Council's key strategic assets should be developed in order to meet these needs. The Programme will validate the scale and nature of opportunities available to the Council and establish, through a high level assessment, the best order of prioritisation having regard to the Strategy. Once the final Delivery Programme is approved, business cases for development on a site by site basis will be brought forward. Each business case will set out in more detail how the development of that site will be commercially structured, developed and delivered; the benefits this will secure for the Council; and the resources and time required to achieve this. Once the business case for a site(s) is approved through the appropriate governance route, then the development of that site will begin.

In order to determine those assets to be included within the Delivery Programme the following principles will be applied and evidenced:-

Principles for inclusion within the Delivery Programme

1. Asset would require significant investment in the medium term to continue operating
 2. Asset is currently underutilised
 3. Asset demonstrates potential to generate a capital receipt
 4. Asset demonstrates potential for revenue saving / generation
 5. Asset has potential to positively impact other strategic projects
 6. Asset has potential to drive and be a catalyst for regeneration
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Applying these principles through, a high level evaluation process, to the Council's asset base highlights the following key strategic assets for consideration:-

Key strategic assets:

- South Street Offices, Rochford
 - Civic Suite, Rayleigh
 - Freight House, Rochford
 - The Mill Arts and Events Centre, Rayleigh
 - Numbers 19 and 57 South Street, Rochford
-

The table below summarises each key strategic asset

Asset	Current use and summary of asset
South Street offices	Current main council accommodation. Ageing asset, challenging to maintain and not conducive to modern ways of working.
Civic Suite	Current location of Member Chamber. Also accommodates a small number of Council staff and partner organisations. Severely underutilised and ageing asset.
Freight House	Currently managed by Fusion Lifestyle. Conference and event venue.
The Mill Arts and Events Centre	Currently managed by Fusion Lifestyle. Arts and events venue.
Number 19 South Street	Underutilised asset (Council office accommodation) Planning permission submitted
Number 57 South Street	Derelict site Planning permission submitted

High Level Outcomes:

Applying the above objectives and principles to the identified sites, the emerging high level outcomes are as follows:

High level outcomes
<ul style="list-style-type: none"> An alternative single site for the Council's main office accommodation would be more efficient
<ul style="list-style-type: none"> The existing Council offices in South Street, Rochford are not conducive to modern ways of working and would require significant investment to maintain over the medium term. Therefore, an alternative site will need to be identified
<ul style="list-style-type: none"> A presence of some form will be required in Rayleigh (probably in the form of a simple 'front desk' approach but location to be decided)
<ul style="list-style-type: none"> A Members' Chamber should be considered within the redesign of Council office accommodation and should be a flexible space which can be configured for other uses, including commercial hire
<ul style="list-style-type: none"> A 'Digital First' approach should be taken in the design of future buildings
<ul style="list-style-type: none"> Future building design will need to accommodate future ways of working, such as mobile and flexible

Risk

There are risks associated with any type of capital investment and the Council should be cognisant of these when considering future business cases brought forward as part of the strategy.

Risks associated with individual projects can be ameliorated in a variety of ways. However, it is important that the Council maintains a balanced risk profile overall which is commensurate with its risk appetite. Careful consideration should, therefore, be given to any portfolio of projects to be undertaken, and the resources available to deliver these as well as the level and timescale of any benefits to be delivered in support of the objectives of this strategy.

Business Cases

A robust business case will be needed to support any individual project, to ensure that it is affordable, offers value for money and will achieve its intended objectives.

The suggested template (below) would be supported by detailed financial modelling.

Outline Business Case Template

NAME OF PROJECT

Date of Investment board:

Author and main contact:

Assistant Director:

Portfolio Holder:

DECISION REQUIRED:

1. Business Drivers
2. Costs and Benefits
 - 2.1. Financial Costs

Project Financial Statement

Please select: Business Case Type							
Asset Category							
	£000	£000	£000	£000	£000	£000	£000
	5 Year Total	2018/19	2019/20	2020/21	2021/22	2022/23	Future Years (per annum)
Construction	-						
Contingency	-						
Design fees	-						
Project fees	-						
Planning fees	-						
Other fees	-						
Total Capital Costs (for Capital Programme)	-	-	-	-	-	-	-
Sales Receipts	-						-
Net Capital Financing Requirement	-	-	-	-	-	-	-
Marketing & Sales	-						
Professional fees	-						
Redundancy Costs	0						0
Total Revenue Costs (excluding borrowing)	-	-	-	-	-	-	-
Revenue Benefits (insert as negative values)							
Savings	-						
Total Revenue Benefits	-	-	-	-	-	-	-
Borrowing Costs							
Estimated interest cost of borrowing	-	-	-	-	-	-	-
Estimated MRP (Minimum Revenue Provision)	-	-	-	-	-	-	-
Total Borrowing Costs	-	-	-	-	-	-	-
Total Revenue Impact	-	-	-	-	-	-	-
Revenue Affordability Assessment (funded by)							
Existing allocation in MTRS	-	-	-	-	-	-	-
New funding required	-	-	-	-	-	-	-
Total NET Revenue Budget	-	-	-	-	-	-	-
Weighted Average Interest Rate							
Cashflow (Capital Table for B.Case before borrow)	-						
5 year Cashflow (Capital Table for B.Case)							
Discounted cashflow over 5 year period							
Difference indicates inherent risk	-						

2.2. Benefits: Financial Benefits and Non-Financial Benefits:

2.3. Key Financial Assumptions

3. Delivery Approach

4. Timeline and Key Milestones

5. Key Risks and mitigation

APPENDICES

A. Consulted Parties

B. Project Documents: – Evidence and Quality Check: Documentation to be agreed on an individual project basis but to include as a minimum: Project Plan, Risk analysis, financial appraisal, benefits analysis and governance.

C. Other Supporting Documents: If applicable