

## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of a special meeting of the Asset Management Forum held at Knowle, Sidmouth on 17 January 2019**

Attendance list at end of document

The meeting started at 9.30am and ended at 11.25am.

#### **35 Public speaking**

There were no public speakers at the meeting.

#### **36 Exclusion of the public**

To agree any items to be dealt with after the public (including press) have been excluded. There was one appendix that officers recommended should be dealt with in Part B.

#### **37 Commercial Investment Framework**

Tim Child, Senior Manager - Property and Estates outlined the background behind the Commercial Investment Framework. Following advice given by property consultants at Overview Committee on 13 March 2018 it was agreed that the Council should explore opportunities for investing in commercial property. A draft Commercial Investment Framework (CIF) was confidentially presented to a special Asset Management Forum (AMF) meeting in September 2018 – confidential due to being in draft form - and recommendations for amendments were made and now incorporated. Relevant Strategic Leads had been involved. External legal advice was commissioned to advise on the Council's powers to invest commercially, along with the mechanism by which this should be done. The final draft had been considered by the Strategic Management Team and would be taken to Cabinet on 6 February 2019, with a request for £20million funding being made to Council on 27 February 2019.

The AMF reviewed the framework and three appendices and discussion included the following:

- Clarity around whether the borrowing costs included the repayment of the loan. It was confirmed by Officers that the borrowing costs included for repayment of the principal sum over the loan period.
- The CIF allowed flexibility beyond traditional developments. It was a high-level framework that covered a broad range of assets to include e.g. investment in energy provision.
- There were potentially five different forms of investment the Council could consider under the framework:
  - Management of existing assets
  - Acquisition for commercial investment
  - Acquisition for district wide benefits
  - Direct developments – both housing and commercial
  - Strategic partnerships and joint ventures.
- Appendix B was confidential as it included commercially sensitive information about how the Council would consider opportunities using weighted scoring matrices.
- There was a different scoring matrix for each of the different investment types/ scenarios.
- Concern was expressed that a strategic view of the priority sector targets appeared to be missing. Officers reassured the AMF that it was reflected in the scores. Notwithstanding this, it should be acknowledged that different sectors carried different risks, which may change over time. It was important not to rule anything out. It was suggested that wording be added to the CIF setting out what the Council's current priorities were, but stressing that this may change in the future.

- The scoring itself would be an officer driven process.
- It was noted that the matrix scoring process was the very first stage in assessing an investment opportunity. This would then inform an initial outline business case, before going to a more detailed risk assessment and full business case.
- Appendix C outlined the corporate investment governance, setting out how an investment decision would be made.
- Investment decisions would be delegated to the Deputy Chief Executive in consultation with the Leader and Portfolio Holders for Asset Management, Finance and Economy. There would be six-monthly performance reports to Council on how investment was progressing.
- There would be an Investment Assessment Group (IAG) which would make formal recommendations for investment within the parameters of the adopted framework. Updates would be provided at each AMF meeting and to SMT every three months and at key milestones.
- Investment opportunities exceeding £5 million would be subject to the Council's normal decision-making procedure.
- A consideration needed was how to factor in the costs of the process, as not every investment opportunity would be successful, but there would still be a cost element up until the point where it was decided to no longer proceed. It was acknowledged that it was easy to capture external costs, but harder to assess officer time. It was important to understand all of the costs involved to ensure that the costs of the process were factored into calculating the return.

**RECOMMENDED: that Cabinet approve the commercial investment framework and appendices a-c attached, subject to:**

- a) Reference to market sector and priorities**
- b) Reflection of cost involved and output return (officer costs and consultant costs will be included in the £20 million).**

### **38 Corporate ownership of assets**

The Forum noted that a report had been taken to SMT on 22 August 2018 setting out a direction from AMF and the Asset Management Portfolio Holder to centralise asset intelligence and strategic ownership of the General Fund and non-dwelling HRA portfolios and bolstering the Strategy and Policy function. Property & Estates Officers were asked by SMT to take forward a corporate discussion on the best way forward to deliver this and to then present a business case back to SMT. This was further discussed by SMT in January 2019, in particular the benefits of centralising asset data and using this to inform decision making through developing a more comprehensive understanding of asset performance. SMT agreed to support this new way of working.

It was acknowledged that there was some concern from Services around the decision making arising from more corporate ownership of the non-housing asset portfolio. It would be key to work with Service Leads and other Officers throughout the adoption of the process to ensure co-operation and an accurate understanding of what this involved, the corporate and wider public benefits and how new arrangements would operate. The detailed format of the performance assessment, including consistent cost and non-financial related considerations still needed to be resolved. Individual Services would be included in recommendations and decisions made and would lead on the non-financial performance of an asset.

The need for a corporate approach to the ownership of assets was borne through a need to be more commercial in terms of how the Council managed its assets. EDDC needed one list of all the assets for which it was responsible for, and over the next five, ten, twenty and

thirty years understand how much investment was required in those assets versus the estimated income. This is needed by asset and by category of asset.

The asset strategy and indeed the review of performance and utilisation of data to inform strategic decision making was about supporting the Council to achieve its objectives. The proposal was not about the day-to-day management of assets, or the staffing and resources involved in that day-to-day management. The proposal was about data and use of that data to inform strategic decision-making and in a consistent manner around assets and groups of assets. A Corporate Landlord Model (light) whereby 'ownership' was centralised, but with individual Services managing and operating, but with improved links with Property and Estates, where asset data and guidance would sit. The approach was about:

1. Making sure that incomes and costs are captured centrally
2. Additional asset intelligence is captured
3. Performance of all assets is monitored and reported on in a consistent manner
4. That this performance data drives decision making
5. That standard policies and procedures operate across the Council

It was important to understand performance and costs, both now and in the future, rather than just income, and use this to inform decision-making. Non-financial considerations should not be ignored when assessing an asset's value. Local knowledge/performance and the health and well-being of the community were vital considerations.

The process would be a phased implementation, starting with income generating assets. Systems Thinking was key to any new arrangements, recognising the customer/service user in the process. It was important to ensure corporate 'buy-in' through further workshops, developing a formal cross-service working group and developing a detailed schedule of activities needed. Progress would be reported regularly at AMF meetings.

Those present expressed the importance of understanding the overall value of an asset, not just the financial value, and it was felt that the report did not emphasise this enough. Assets often had great social value which was hard to monetarise. There was concern over mandatory and discretionary services. It was acknowledged that a local authority existed for a wider community purpose, and was not just about financial assets.

**RESOLVED: that the Asset Management Forum notes and endorses the SMT decisions regarding the corporate ownership of assets, as follows:**

- 1. Property and Estates to adopt a Corporate Landlord Model (light), whereby intelligence and ownership responsibility was centralised, with individual service areas continuing to manage and operate assets. This applied to non-housing assets.**
- 2. A single data point for all non-housing assets of the Council be created.**
- 3. A corporate oversight by Property and Estates managing a consistent and systematic assessment of asset value informed by financial and non-financial considerations for purpose of professional guidance on investment, transfer or disposal, to service area, SMT, AMF, cabinet and Council.**

**Attendance list (present for all or part of the meeting):**

**Councillors:**

Dean Barrow  
Paul Diviani  
Andrew Moulding  
Geoff Pook (Chairman)  
Philip Skinner  
Ian Thomas

**Also Present:**

Megan Armstrong  
John Dyson  
Geoff Pratt  
Marianne Rixson

**Apologies:**

Cllr Mike Allen

**Officers present:**

Richard Cohen, Deputy Chief Executive  
Tim Child, Senior Manager - Property and Estates  
Simon Davey, Strategic Lead – Finance  
John Golding, Strategic Lead – Housing, Health and Environment  
Andrew Hancock, Service Lead - StreetScene  
Alethea Thompson, Democratic Services Officer