

Asset Management Review Group

Project Governance

Terms of Reference

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1. **Purpose**
   1. Purpose of the Asset Management Review Group

* To assemble key areas of EHDC to share financial, legal and strategic status of property assets
* To maintain adherence to financial and legal Governmental strategy and direction
* To agree actions relating to the asset portfolio to maintain, develop and improve the financial legal and strategic position of the Council’s investments.
* To assure adherence to the agreed Asset Management Strategy
* To maintain links to the Mid Term Financial Strategy
* To support lead officers in terms of decision-making relative to their delegations.

1. **Asset Management background and context**
   1. The Commercial Property Investment Strategy (2017-2022) set out to provide a robust and viable framework for the acquisition of commercial property investments.

* 1. The key objectives of principles of the strategy were;
* to create a balanced property portfolio with a capital of up to £200m across England and Wales;
* to build a diverse portfolio across all property sectors;
* to control risk by adopting portfolio profiling and asset diversification;
* to create processes which can be used to acquire and dispose of property.
  1. A series of investments were subsequently made at a capital cost of circa £130 million.
  2. The overarching aim of the investment strategy was to create a long term, sustainable revenue stream for the Council and the portfolio has been successful in generating a rental income to the Council of circa £9 million over the last few years. That revenue stream supports the Council’s wider financial strategy to ensure financial sustainability and enable the Council to continue to protect front-line services and deliver its Corporate priorities.
  3. The portfolio has been kept under regular review in line with the strategy, with a substantial review undertaken in 2019 and ongoing reviews throughout the pandemic in 2020 and 2021 via a Property Investment Board. This work has been led by a combination of in-house property professionals, external specialist expertise and senior officers, including key staff from property, legal and finance.
  4. Much has changed since the Strategy was adopted in 2018 due to the major global events in recent years, which has resulted in significant and unpredictable changes to the national economic and fiscal climate and which in turn has had very real impacts on the commercial property market.
  5. Market fluctuations are always to be expected in line with national trends and reflect the significant exceptional external circumstances over the last few years. However, strong and active asset management has however meant the portfolio has maintained high occupancy (96%+) and generated significant income to date, with 98%+ rent collection for the pandemic period.
  6. Notwithstanding this, an investment portfolio always carries risk around market changes and lease events, which all needs to be robustly monitored and managed and as such, prudent and robust portfolio management remains critical going forward
  7. Further, in addition to economic and market fluctuations, the Government has also made changes to the rules and guidelines surrounding local authority borrowing and the way it funds and holds investments. They are working towards implementing changes to reduce and where appropriate, prevent Councils from investing in property primarily for commercial return.
  8. As the Council is now no longer in a position to expand its commercial portfolio for yield, the current Commercial Property Investment Strategy is now no longer appropriate and as such it is proposed that this ceases at the end of 2022 as planned.
  9. The priority for the Council will be to continue to robustly and professionally manage its existing portfolio to ensure it continues to provide strong and reliable financial returns. As such, a new Asset Management Strategy will be developed to ensure a long-term optimised approach for the management of the Council’s assets
  10. To support the new Asset Management Strategy, governance, resources and internal working arrangements have been reviewed.

1. **Asset Management Review Group Scope**
   1. New governance and working arrangements to support and to assure compliance of the revised approach are set out within this document.
   2. Decisions will be made in accordance with the constitution, scheme of delegations and approved Asset Management Strategy, supported by member oversight and scrutiny as appropriate. These arrangements will provide a robust framework in terms of authority and accountability as well as ensuring strong management around outputs, risks and performance.
   3. Scope:

* Implement and support new governance arrangements
* Manage and mitigate (where possible) asset investment related risk
* Review Asset Management Strategy in line with decision making at AMRG
* Produce and monitor a high-level Programme schedule for immediate, medium and long term horizon planning
* Produce and monitor a high-level Delivery Plan for work required
* Define and agree roles and responsibilities and the nature of the relationships of all members and related service areas
* Report current and forecast status of Property Asset Portfolio at regular monthly meetings to include:
  + Key investment data
  + EHDC Financial data
  + Alignment with EHDC Mid Term Financial review
  + Alignment with Government recommendations and direction
  + Alignment with wider Council teams and services with Asset interests
  + EHDC Strategic Financial status and approach to future investment
  + Debt profile – borrowing against debt waterfall
  + Financial and Market data Forecasting
  + Issues
  + Risks
  + Mitigative actions
  + Produce a clear decision-making process during Gateway Review process and milestones
* Decision making scope to include:
  + Mitigative Actions related to market fluctuation, financial and legal risk
  + Financial and Legal exposure Risk Reduction
  + Delegated decisions making prior to action
  + Member oversight and scrutiny
  + Decisions related to Government recommendation and direction

1. **Reporting and Monitoring**

**Collation of Information**

* 1. Due to the nature of the information – each reporting cycle will require a detailed highlight report. This will comprise of a Project Manager Report, Lead Officer Report, Asset Exceptions, Risk and Mitigation, Financial Status, Workstream Report presented within a Dashboard.
  2. A detailed database will feed into the high level report and can be accessed to provide information for robust decision making.

**Data Storage**

* 1. Storage of the Asset database on Sharepoint will allow users and holders of the information to populate required criteria during the reporting cycle. The updated information can then be extracted at nominated intervals as a highlight and risk mitigation grid on the Dashboard and distributed prior to the Asset Management Review Group Meetings

1. **Governance Structure**
   1. The new Governance structure will draw together a closer relationship between Finance, Legal, Property, Programme and Director service areas.
   2. The Asset Management Review Group will coordinate and approve workstreams, prioritise risk areas to be managed , and provide transparency to decision making and financial sustainability.
   3. The below Governance structure demonstrate how the new plans will be implemented in a wider Council context
   4. Approvals – whether delegated or Cabinet, should be informed by the Asset Management Strategy

**Investment Officer Group**

Membership: COO, s151, Monitoring Officer, Director of Regeneration & Prosperity + other officers as required

Purpose: To oversee the Council’s Investment Strategy

To make recommendations to Cabinet in terms of investments.

**Overview & Scrutiny**

**Regeneration & Economy Investment workstream**

* To oversee implementation of the Regeneration Investment Framework
* To discuss key issues and risks & ensure effective mitigation measures are in place.
* Ensure effective links to wider Corporate matters e.g. MTFS etc.
* To provide sufficient officer scrutiny, challenge and support to enable officers to make sound decisions in accordance with their delegated authority.

**Asset Management workstream**

* To monitor and review the Commercial Investment Portfolio
* To discuss key issues and risks & ensure effective mitigation measures are in place.
* Ensure effective links to wider Corporate matters e.g. MTFS etc.
* To provide sufficient officer scrutiny, challenge and support to enable officers to make sound decisions in accordance with their delegated authority.

**Other workstreams**

Finance (Treasury)

**Cabinet**

1. **Group Workstreams**
   1. The below diagram outlines the scope of the high level workstreams within the scope of the Asset Management Review Group.
2. **Group Membership, Frequency and Purpose**

The following process highlights the decision- making process.

**Asset Management Officer Group**

**Decision Making: Yes**

**Delegated Authority Yes Clare Chester**

**Delegated Authority Threshold: Up to £250k**

**Frequency: 4 Weeks**

**Purpose**

Internal EHDC delivery group charged with delivering and managing the project including programme, financial and legal workstreams. Leader and Chief Executive to have standing invitation. External advisers to be invited as required.

Membership:

Clare Chester

Simon Ellis

Alan Harrison

David Humphrey

Simon Jenkins

Matthew Tiller

Neil Gorman

**Strategy Board**

**Decision Making: No**

**Frequency: Weekly**

**Purpose**

Matters pertaining to corporate project and programme interests. Required before Cabinet meeting

• to provide leadership and direction to drive forward high-quality performance

• to ensure the strategic direction and core values of the councils are embedded into day-to-day business

• to ensure the financial strategic direction for the council is maintained

• to monitor the progress of the councils' business plans and corporate strategies

**Leader/CEX briefing**

**Decision Making: No**

**Frequency: Weekly**

**Purpose**

Highlight report/briefings to ensure Leader/CX fully briefed by Delivery Group.

**Cabinet**

**Decision Making: Yes**

**Frequency:**

**Purpose**

Council Financial decision required for the project