

Leicester
City Council

CABINET

16 JULY 2001

ASSET MANAGEMENT PLAN

Report of the Director of Environment, Development and Commercial Services

1. Purpose of Report

To advise Members of the feedback received in respect of the 'Dry Run' Asset Management Plan (AMP) submission to GOEM in November 2000, and update Directors regarding the requirements for the July 2001 submission.

2. Summary

This report advises Members of the favourable feedback from the DETR (now DTLR) via GOEM in respect of the 'Dry Run' AMP submission in November. It also sets out the revised guidance for the July submission, published at the beginning of April, and highlights the tasks which must be completed, and those where processes must be in place prior to the submission.

3. Recommendations

Members are asked to: -

- i) Note the favourable feedback from GOEM in relation to 'Dry Run' Asset Management Plan.

I also recommend that: -

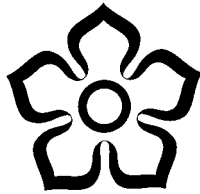
- ii) Condition Surveys are undertaken of all buildings for which the Council has a repair liability, subject to funding being approved. The order in which surveys are carried out will be prioritised on the basis of the desktop condition suitability and sufficiency assessments and will be done in consultation with Service Departments.

- iii) Delegated authority is given to the Director of Environment, Development and Commercial Services, in consultation with the Leader and Deputy Leader, to agree the scope of the condition surveys.
- iv) To note the various management actions being taken, as set out in the report.

4. Financial, Legal and Other Implications

The AMP and Capital Strategy will play an increasingly significant role in the future allocation of capital funding to local authorities. However, undertaking the Condition Surveys referred to in the report will result in additional costs. An initial estimate for this exercise is £1 million pounds. In view of the cost the intention following consultation with GOEM is that the surveys are undertaken over a 4-year period subject to approval of funding being prioritised from the Central Maintenance Fund on the basis of £250,000pa over the next 4 years. If however adverse feed back is received from Government in their response to the July submission, as a result of this phased approach I will bring a further report to Members.

Lynn Cave
Acting Assistant Director
Corporate Property Officer
Environment and Development Department



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SUPPORTING INFORMATION

4. Report

SINGLE CAPITAL POT 'DRY RUN': FEEDBACK ON ASSET MANAGEMENT PLAN FROM GOEM

Following the submission of the 'Dry Run' Asset Management Plan (AMP) in November we were advised that feedback would be provided early in the New Year. Unfortunately however, apparently due to resourcing problems there has been a considerable delay in responses being sent to Authorities. Feedback from the DETR (now DTLR) was finally received on the 10th April in a letter from GOEM. The purpose of the assessment is to highlight strengths and weaknesses under the various 'AMP areas', and provide an overall assessment of each submission.

General Assessment

"Overall we consider that your authority's AMP was comprehensive and well presented, and provides a good framework on which to build and develop upon. There appears to be a planned and programmed approach to asset management."

Comments

This is also linked to Best Value and processes are currently being researched to enable the need for retaining non-operational property to be appropriately challenged, and which will be acceptable to the Best Value Inspectorate. DETR (now DTLR)'s thinking in this area has again been further developed in the revised guidance, and the new performance indicators.

I have now also met with GOEM, who advised that if the authority had been given a "score" in accordance with the basis of assessment which will be used this year (which is "poor", "satisfactory", or "good"). The Dry Run Submission would have been rated as "good" and was one of the top 4-5 plans, submitted by authorities in the East Midlands area (total number of authorities 45).

REVISED DETR (NOW DTLR) GUIDANCE FOR THE JULY SUBMISSION

The key features are unchanged, however some of the detail has been added to and/ or revised. The Government it states: -

"...wants to see outward-looking authorities, working with their communities and partner bodies to identify and act on local priorities to improve local quality of life. Tackling cross-cutting issues such as regeneration, social exclusion and sustainable development will need a joined up approach across local authorities service teams and tiers within the authority, involving social care, education, housing, transport, strategic planning, consulting with the community to meet customer needs and wishes.

In working towards these goals the Government is committed to seeing the best possible use made of public sector assets and to tackling under-investment and weak management wherever it exists."

The Asset Management Plan itself is viewed as a corporate document detailing changes already put in place and planned action to improve corporate asset use.

The Corporate or Chief Property Officer (CPO) (as the revised guidance refers to it) role is seen as a developing one and it is envisaged that CPO's will need to consider some vital questions on "...the relationship between asset use and the corporate drivers of the authority. There needs to be a development of understanding as to the position an authority is aiming for and when and how this will impact on the asset base."

The CPO will also need to consider the major corporate drivers for future change and what are or will be the 'knock on' effects for asset management. They will need to set out a programmed and planned approach for dealing with anticipated changes together with systems to ensure that the adopted approach is achievable, fully costed and fully appraised.

A longer-term view in relation to the corporate use of assets is expected with both revenue and capital consequences of decisions being taken into consideration.

At present the AMP is to include only property assets however DETR (now DTLR) advise that, "...the CPO should have the process in place to take into account the corporate use of all the authority's assets". This is particularly relevant where a significant amount of the authorities resources are being spent on assets other than property. In such cases it may be appropriate to include mention of this in the AMP, in order to provide a complete picture of the authorities spending priorities.

The role of the CPO and AMPIT is now seen to include ensuring that an explicit methodology for prioritising between projects exists, and for overseeing monitoring of the Capital Programme. One system that has impressed the DETR (now DTLR) is Peterborough City Council's. Two aspects appear to have been highlighted, firstly the fact that the process was open and transparent and secondly that the priorities for spend were drawn from the Community Plan and clear links could be seen. I have obtained a copy of their appraisal process and have discussed this with the Head of Financial Strategy. In addition we have jointly met with GOEM and discussed both the AMP and Capital Strategy.

PROPERTY PERFORMANCE INDICATORS (pPI's)

The guidance on the property performance indicators has changed fundamentally. The number has been greatly reduced and now comprises five high-level indicators (details are set out in Appendix 1). It is expected by DETR (now DTLR) that these will also be supplemented with a series of local indicators.

Although details of the five high-level pPI's has only been provided in the last few weeks, elements of the first pPI on maintenance backlog have been requested as part of the July submission. The report should also "...clearly demonstrate that systems to collect and utilise the remaining pPI's have been put in place". Data relating to these is likely to be required for the 2002 submission, and work on putting systems in place to enable the appropriate data to be collected is already underway. These reference measures will then be used as a management tool to enable: -

- Comparison both locally and nationally with external organisations.
- Monitoring of continuous improvement.
- Identification of areas which require improvement.
- Provide information, to assist in the allocation of resources.

The data once collected will be benchmarked as part of the work being undertaken by our benchmarking groups, and where variations in performance

are identified, further work will be undertaken to establish the reason for the differences, where this leads to the identification of poor performance in an area action will be taken to address this. It is proposed to provide Members with an annual monitoring report.

DOCUMENTS TO BE PROVIDED TO THE GOVERNMENT OFFICE BY 31ST JULY AND SUPPORTING INFORMATION

A Context Sheet

This will contain information about the corporate asset base of the authority and some statistical information on backlog split across service areas.

The Capital Strategy (CS)

This 6-page document is a high-level summary of the Councils approach to capital investment. The Chief Finance Officer will be providing further details of the requirements.

The Asset Management Plan (AMP)

A 20 page document with the following suggested structure is required comparing:

1. Corporate Action and the role of the CPO and Corporate Asset Management Team*:

- Covers the primary role of the CPO and sets out the aims and objectives of the Corporate Asset Management Team - this is likely to include the Finance Officer.
- This information may be supplied in the form of an 'Executive Summary' and may include current and future achievements and a brief timetable.
- Show the reporting structure for corporate asset management and how the corporate objectives relate to the property portfolio.
- Show the links to and the process for developing other plans such as: Capital Strategy, Community Plan, Procurement Strategy, and BVPP.
- It will set out the requirements for the investment portfolio - challenge use and holding.
- Consider action required from audits and other reviews and how these are assessed and reported on.

(*The team's role should be to co-ordinate and assess, Property Review Programme - Acquisition/Disposal Programme - Capital Programme - Cross service working - Maintenance Programme and should include Corporate, Property and Service Department Representatives)

2. Planning and Consultation:

- Show processes of consultation that have been undertaken with both clients and others. State the form it took, responses from it, and outcomes from these responses.
- CPO to show how relevant consultation has taken place - via service / asset as appropriate. Use of nationally accepted standards of survey in various service sectors.
- CPO to assess % of portfolio supporting Community and other strategies. This will feed into an update of the CS and AMP.
- How have the changes resulting from consultation been managed? What issues have they created and how the programme of change has been managed.

3. Data Management:

- Have produced a detail statement of the Assets held by category including numbers and value.
- Can demonstrate awareness of the existing data and can manipulate that data to further corporate aims.
- Provide evidence of systems currently in place to hold the relevant data together with details of any plans for developing the capture and holding of additional data e.g. (intermediate data and further)
- Consider introducing Unique Property Reference Number (UPRN) for all property.
- Show identification of future property needs and strategy for improving current data arrangements.
- Show how action is building on the simple condition survey.
- Use and build on standard condition grading: A - D / 1 - 4.

4. Performance Monitoring and Measurement:

- Provide evidence of the performance measurement processes in place.
- Show how you plan to develop that performance measurement system.
- Show how you intend to move towards gathering information for the national Property Performance indicators and use and results made of benchmarking.
- Take account of the further requirements in the assessment checklist.

5. Programme Development:

Show the process adopted for developing the programme including:

- The direct relationship to corporate and financial objectives
- Option appraisal and prioritisation
- Innovation
- Investigation of shared use

- The key areas for investment
- Fit of existing to future need
- Planned Maintenance Programme
- Priority grading of Condition as set out in 3 above (1-4)

6. Under-use and Disposal:

- Details of assessment of utilisation
- Evidence of property review.
- Challenge, within property review process, of under used (surplus capacity) or surplus assets.
- Corporate and structured system for reporting on utilisation - disposal of such assets reflecting future use and corporate objectives.
- Consideration of appropriateness of reporting system for under use and redeployment systems. Involvement of Chief Executive/members in considerations of holding / disposing of surplus property.
- Process and programme for improving the corporate effectiveness of the above.
- CPO to undertake specific reports, to support the evidence in the AMP document, on % of land temporarily surplus and % of floor space meeting standards of space use.

7. Spending & Outputs / Outcomes:

- Evidence of the output plans that are in place or
- Programme that will lead to:
- Reference to the 3 -5 year Capital Programme including a forecast of capital receipts detailed in the "context" sheet.
- Identification of key investment issues relating to the property portfolio and outlines for dealing with them.
- Identified resources
- Identification of gaps
- Property / Asset implications arising from BV reviews identified and detailed actions proposed.
- Milestones for successful implementation
- CPO to undertake reporting on the action required for the capital programme as set out in the assessment checklist.

8. Monitoring and submission;

- Analysis of key issues / problem areas
- Detailed evidence of how monitoring, review and feedback into the next AMP will be achieved. Tie into performance measures to look at continuous improvement.
- Submit to GOEM

LINKS WITH SERVICE AREAS & OTHER PLANS

Certain service property will already be covered in detailed plans such as the AMP for the Schools estate, Transport (LTPs) and Housing (HIP), and no **additional** work will be needed on the assets already covered. However where assets are held within service areas but have not been covered by work on these plans they must form part of the full AMP process and it will be important to make corporate reference to the use of the assets. As an example this may include garages attached housing and some additional property held for Education but not covered by the AMP for the schools estate. All property should be covered in either the above plans or the overarching AMP so that authorities can ensure the corporate capital and the property implications of the assets held are fully considered.

THE WAY FORWARD

As stated earlier the feedback from GOEM regarding the Dry Run is favourable, however, the delay in receiving this has been extremely unhelpful. As can be seen from the requirements set out above the work to be undertaken before 31st July is significant. In order to complete this, as with the Dry Run, the commitment and input of every Department is essential. As the role is new to some Departments it is important that all staff are advised who their Co-ordinator is and what their responsibilities are in order for these individuals to be effective. Whilst I appreciate this is yet another call on peoples time, given its importance to the Authority Directors need to ensure that this work is prioritised and their Departmental Property Co-ordinators are given the necessary support.

In order to facilitate effective Asset Management in the future, it is essential that the asset management plans are used as a business tool integrated with the other business and management processes of the authority. Consideration of the effect property has on the delivery of services, the implications that changes in service have on our property needs and the level of customer satisfaction with the facilities from which they access services must therefore be given consideration at the earliest possible time. I am therefore recommending that: -

- i) A section is included in all Best Value Reviews, which considers the costs of occupation of each asset and the implications of the review on the Services property requirements for the future.
- ii) Questions regarding the property from which a service is delivered are included in all future customer consultations. These should include the customer's satisfaction with the building from which the service is currently delivered and whether they would prefer to access the service in a different way. For example on-line via the Internet. The exact nature of the questions to be agreed with the CPO in advance.

Whilst I recognise following consultation with the Assistant Chief Executive (Corporate Management) that the Best Value process is being required to pick up an ever increasing number of issues, given the governments overall agenda this is I consider a necessary consequence.

In addition the new guidance requires Service Directors to:

- a) Provide the CPO with information on the results of consultation with users to show satisfaction with asset.
- b) Report, at least annually, on the use of assets within their service.

I have therefore included these as additional recommendations.

Finally, as I indicated earlier, we have been asked to provide information on the maintenance backlog as required in pPI 1 B. As part of the Dry Run, desk top condition assessments have been made of all Operational properties, and DETR (now DTLR) now require us to undertake Condition Surveys of all buildings for which the Council has a repair liability. In order to meet these requirements (as set out in the performance indicators Appendix 1) further detailed surveys will need to be undertaken and must include floor areas. The initial estimated cost of this work is £1million and we are required to report on the performance indicators by July 2002.

The survey costs will present a significant issue with regard to resourcing. Inevitably different authorities are adopting different approaches, some already have condition information on all their assets, some are aiming to complete them all in time to report on the performance indicators (as required) in July next year. While others are looking to put a programme in place with a view to phasing the survey's over a period of years.

Regular monitoring of the condition of the authorities assets, is of course regardless of the governments requirements, good practice and will enable more informed decision making in relation to future spending, retention and disposal of assets. In view of the cost of the survey's I have held initial discussions with GOEM in order to ascertain their likely response to the survey's being undertaken on a phased basis over the next four years. Whilst not being in a position to agree this approach they have indicated that it appears to be a sensible way forward. I therefore recommend that: -

- i) Condition Surveys to be undertaken of all buildings for which the Council has a repair liability, subject to approval of funding. The order in which surveys are carried out will be prioritised on the basis of the desktop condition suitability and sufficiency assessments and will be done in consultation with Service Departments over the next 4 years.

- ii) Delegated authority is given to the Director of Environment, Development and Commercial Services, in consultation with the Leader and Deputy Leader, to agree the scope of the condition surveys.

With regard to the information on backlog, which is required for the July submission, I recommend that:

The Town Clerk in liaison with the Director of Environment, Development and Commercial Services provides information regarding the maintenance backlog, based on existing data, with provisos regarding its accuracy.

FINANCIAL, LEGAL AND OTHER IMPLICATIONS

1. Financial Implications

The AMP and Capital Strategy will play an increasingly significant role in the future allocation of capital funding to local authorities. There will be a single Basic Credit Approval allocation for each authority next year (referred to as the single capital pot). A fixed proportion of the pot, the majority, will be allocated regionally on a 'needs' basis and the balance of ministerial discretion. Ministers have decided that for the year 2002/3 the needs-based proportion should be 95% i.e.5% will be distributed according to the outcome of the assessment of the Capital Strategy, AMP and other service plans. Once the system is established the needs-based proportion will decrease while the ministerial discretionary element will increase from 5% up to 20%. For 2002/03 consultation papers from DETR (now DTLR) have indicated that a fix sum of £50,000. £25,000 or nil for those AMP's assessed as good, satisfactory or poor respectively would be incorporated within the discretionary element. However, undertaking full condition surveys would result in additional costs being incurred by the Authority for which there is currently no specific provision. The estimated cost of this work is £1 million pounds. In view of the cost the intention following consultation with GOEM is that the surveys are undertaken over a 4-year period subject to approval of funding being prioritised from the Central Maintenance Fund on the basis of £250,000pa over the next 4 years.

2. Legal Implications

The AMP is a corporate strategy to secure improved use of corporate assets. Property transactions will be necessary as part of the strategy which will require legal advice and involvement but there are no specific legal implications arising from this report at this stage.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within Report
Equal Opportunities	No	
Policy	Yes	Throughout the Report
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	

4 Background Papers – Local Government Act 1972

The 'Dry Run' AMP November 200 and subsequent feed back from GOEM and DETR (now DTLR) guidance issued since last November.

5 Consultations

Town Clerk's and Corporate Resources Department (Financial Strategy, Legal Services and Property divisions).

6. Report Author

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Extn. 5000

Wednesday, 12 June 2002

APPENDIX 1

THE Property PERFORMANCE INDICATORS (pPIs)

NUMBER	1 A & B
OBJECTIVE	To measure the condition of the asset for its current use. To show the severity and extent to which maintenance problems affect the portfolio. To assist in development of detailed information on backlog relating to both revenue and capital expenditure.
INDICATOR A	% gross internal floor-space in condition categories A - D
B	Backlog of maintenance by cost expressed as a % in priority levels in 1 - 4 and by value

NUMBER	2 A, B & C
OBJECTIVE	To demonstrate the justification, in financial terms, for maintaining an investment portfolio. It will ensure accountability for investment decisions illustrating the financial advantages and disadvantages of holding/disposing of assets in the investment portfolio.
INDICATOR	Current internal rate of return (IRR) for the portfolio expressed as an average for (a) Industrial, (b) Retail and (c) Agricultural investment property.

NUMBER	3 A & B
OBJECTIVE	To measure the cost and efficiency of property services provision.
INDICATOR	Annual Management costs per sq. m. (a) Total for operational property (b) Total for non- operational property

NUMBER	4 A & B
OBJECTIVE	To encourage reduction of property revenue running costs over time and year on year energy efficiency.
INDICATOR A	Revenue running cost per sq. m.

B	To measure CO ₂ emissions in tonnes of carbon dioxide per sq.m for operational property. Provide a baseline for <u>July 2002</u> .
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NUMBER	5 A & B
OBJECTIVE	To measure improvement in the delivery of new capital projects against set time / budget targets. <u>For projects where the authority is both in sole charge and is the controlling partner.</u> Indicator seeks to measure the timeliness and cost of each new capital project in terms of those originally set for the project. It will impact on the prioritising process for projects and the local performance measures and monitoring systems put in place such as the KPI's and other measures of best practice.
INDICATOR A - Cost Predictability	% of projects costs where outturn falls within + 5% of the estimated outturn, expressed as a %age of the total projects completed in that financial year. (Comparison of estimated outturn project costs at "commit to invest" with actual outturn cost at practical completion)
B - Time Predictability	% of projects falling within + 5% of the estimated timescale, expressed as a % of the total projects completed in that financial year. (Comparison of estimated timescale against actual timescale for projected design and construction).