

## EAST AYRSHIRE COUNCIL

### POLICY AND RESOURCES COMMITTEE – 8 FEBRUARY 2006

#### ASSET MANAGEMENT STRATEGY

##### Report by Executive Director of Development and Property Services

#### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise the Policy and Resources Committee of the progress that has been made in relation to developing the Council's Asset Management Strategy.

#### 2. BACKGROUND

- 2.1 The Policy and Resources Committee at its meeting of 31 May 2005 considered and approved the recommendations contained within a report by the Executive Director of Development and Property Services in relation to developing an integrated Asset Management Strategy and implementing a Forward Action Plan.

- 2.2 The recommendations approved by Committee were;

- i) note the work currently being progressed with regard to developing an Asset Management Strategy;
- ii) agree that the Executive Director of Development and Property Services should continue to progress the Council's Asset Management Strategy as detailed in section 4 above and in the attached Forward Action Plan, in conjunction with Service departments;
- iii) remit to the Executive Director of Development and Property Services to:-
  - prepare and present a report to a future Corporate Governance Committee on staffing structures and financial implications necessary to progress the Council's Asset Management Strategy;
  - consider options for engaging and instructing external consultant assistance to examine the Council's requirements for developing an Option Appraisal methodology, procedures and guidance, the outcome of which to be subject of a further report to Committee;
  - proceed with the planned next stage procurement exercise in relation to the Council-wide Asset Management Information System; and
  - develop Procedure Notes and protocols to support the Asset Management Strategy; and
- iv) note that further reports will be provided in this area.

### **3. CURRENT POSITION**

- 3.1 Since the Committee's decision, a considerable amount of work has been carried out in progressing the recommendations and areas of work identified in the Forward Action Plan, details of which are set out in section 4 below and the updated Forward Action Plan (see attached Appendix 1).

### **4. AREAS OF WORK PROGRESSED**

- 4.1 The following areas of work have been progressed in developing and taking forward the Councils Asset Management Strategy. These are:-

- acquisition and implementation of Asset Management Information System (4.2);
- Option Appraisal (4.6);
- staffing structures within the Council (4.9);
- property reviews/Capital Investment Strategy (4.13); and
- Surplus Property procedures/Capital Receipts Strategy (4.16)

#### **Asset Management Information System**

- 4.2 The procurement of a Corporate Asset Management System (CAMS) has been the subject of a comprehensive tendering and evaluation process.

- 4.3 It is anticipated that the contract award to the "Preferred Bidder" will be completed by the end of March 2006. The implementation of the CAMS will, due to scale of the work involved, require to be undertaken on a phased basis. The number of phases and timeframe over which these will be carried out will require to be established following detailed discussions with the "Preferred Bidder" on the delivery of their software.

- 4.4 As the system will hold data which will be provided by a number of departments, it is proposed to establish a cross-departmental implementation team which will agree the phasing, the timeframe for completing each phase, and for monitoring its progress and roll out across the Council.

- 4.5 Phase one will involve the establishment of the core data, which should be completed by March 2007.

#### **Option Appraisal**

- 4.6 Following the decision of Committee on 31 May 2005, to examine the Council's requirements for developing an Option Appraisal methodology, discussions have taken place with a number of external bodies and other local authorities. A policy paper on Asset Management Investment Option Appraisal, setting out a strategic

framework, is the subject of a separate report to the Policy and Resources Committee on 8 February 2006 for approval. This will be underpinned by an operational procedural manual, which will be used by departments when considering their future capital projects.

- 4.7** In a letter from the Council's External Auditors, issues in relation to the Council's procedures for monitoring and managing its capital projects were identified. As a result the Council's procedures on Project Management have been revised and adapted, which will include appropriate training of key staff, to address the points raised.
- 4.8** The Scottish Executive has recently issued revised procurement procedures in relation to Major Investment (Capital) Projects with the publication of the new Construction Procurement Manual. Whilst this applies principally to the Scottish Executive and associated Agencies and Departments, the Council's recently adopted revised Project Management procedures adopt a similar approach in dealing with major capital projects.

### **Staffing Structures**

- 4.9** The Policy and Resources Committee on 31 May 2005 agreed that a report be prepared and presented to a future Corporate Governance Committee on the staffing structure to progress the Council's Asset Management Strategy.
- 4.10** A detailed review of both the existing staff structure of Development and Property Services and the anticipated work to be undertaken by the Asset Management Team has been carried out and a report on the proposed structure will be considered by both the Development Services and Corporate Governance Committees in due course.
- 4.11** The Forward Action Plan attached to the 31 May 2005 report had a projected date for establishing the Asset Management Team of October 2005. However, due to the complexities of the review process it has only now been possible to finalise the proposed staffing structure.
- 4.12** It is anticipated that the establishment of the Asset Management Team will commence in April 2006. As a number of major areas of work identified in the Forward Action Plan are linked to resources for Asset Management, the target dates for these require to be revised.

### **Property Reviews/Capital Investment Strategy**

- 4.13** It is proposed that the current and future property requirements of all service departments are reviewed on a phased basis with the intention of, identifying the level of property need of the Council, looking at options for addressing this and developing a Capital Investment Strategy.
- 4.14** This process has begun with a considerable body of work having been carried out in various settlements, as detailed below;

- Stewarton – proposed new leisure facilities and office accommodation, with the likely involvement of Strathclyde Police, developed with local community participation;
- Auchinleck – proposed new One Stop Shop and leisure facilities developed with external funding and strong local community involvement;
- Crosshouse – proposed new Library/local Office facilities in partnership with NHS Ayrshire and Arran on one site consolidating existing Council facilities;
- Cumnock – town centre regeneration proposals involving new Council offices, Job Centre Plus facilities and a new anchor store development in partnership with the private sector;
- Kilmarnock – town centre regeneration proposals for a new office development to attract new jobs to the area and increase the vitality of the Foregate area generally.

The above projects are indicative of the many developments which have been carried out and are being progressed using the Council's property assets to promote;

- Economic Regeneration;
- Partnership working; and
- Improved service delivery.

Further proposals will be brought forward as and when these are developed more fully. At present a comprehensive review of central office accommodation is being undertaken, the outcome of which will be the subject of a future report to Committee.

- 4.15** The Asset Management Team, once established, will roll out property reviews across all service departments on a phased basis with the outcome of these being reported to Committee.

### **Surplus Property Procedures/Capital Receipts Strategy**

- 4.16** One of the key areas to be progressed, as set out within the Forward Action Plan, was the establishment of procedures for reviewing Surplus Assets (including the alternative use by other departments/agencies) and development of a Capital Receipts Strategy.
- 4.17** The current procedures for dealing with Surplus Property and treatment of Surplus Property costs were established a number of years ago, having been approved by the Policy and Resources Committee Finance and Property Sub-Committee on 26 April 1996 and revisited by the Senior Staff Management Team on 29 July 2000.

- 4.18** The current procedures have resulted in properties which have been declared surplus remaining vacant for long periods either as a result of having no market value (until funding has been identified to demolish the building) or until all pre-marketing investigations/consultations has been completed. This has resulted in both additional ongoing revenue costs being incurred until the property is leased/demolished or sold and a delay in receiving a potential capital receipt when sold (which may also be reduced due to deterioration in the buildings condition).
- 4.19** In addition there have been recent changes to Capital Accounting which mean that the practice of charging surplus property costs to the Capital Account are no longer acceptable and the Executive Head of Finance has made arrangements to establish an Asset Management Revenue Account, to take account of this.
- 4.20** Given the above, a proactive approach in assessing the future treatment of an asset which may be considered surplus to operational requirements requires to be adopted to reduce the potential time that a property remains vacant and thereby reduce the revenue implications and optimise the capital receipt to the Council. This will involve service departments liaising with the Head of Economic Development and Property approximately six months prior to seeking authority to declare a property surplus to requirements or to demolish in order that appropriate consultations with other departments and agencies can be undertaken.
- 4.21** The Surplus Property Procedures have been revised and agreed by the Corporate Management Team to take account of the above (see Appendix 2 attached) and now require to be developed into an Accounting Policy Bulletin (APB) to be issued to all departments.

## **5 ISSUES ARISING**

- 5.1** The Policy and Resources Committee, Personnel and Property Sub-Committee on 2 March 1999 agreed to establish a Property Monitoring Member Officer Working Group, along similar lines to the Budgetary Monitoring Group, to review the utilisation of the Council's property portfolio and to seek the speedy release of unused properties. The group met regularly between 1999 and 2003 and reviewed a number of the major settlements. However, the group has not met since 2003.
- 5.2** Given the above and that the adopted Asset Management Strategy proposes the establishment of a dedicated Asset Management Team with the remit to regularly review the operational property portfolios in consultation with service departments', on which work has already commenced as detailed in 4.14 above, it is felt that the Property Monitoring Member Officer Working Group is no longer required. Authority is therefore sought to stand down the Property Monitoring Member Officer Working Group. It is proposed that officers will report on progress in relation to operational property reviews to the Policy and Resources Committee six-monthly, in accordance with the Council's meetings calendar, with the first report due in September 2006.

- 5.3** As indicated in section 4.9 - 4.12 above the establishment of the Asset Management Team has been delayed due to the complexities of undertaking a detailed review of existing structures and assessment of the work involved in

taking forward asset management. The original target date for commencing the establishment of the Asset Management Team was October 2005, which has now been revised to April 2006. As a number of the major areas of work identified within the Forward Action Plan are linked to the establishment of the Asset Management Team the Forward Action plan requires to be revised. The Forward Action Plan has been updated (see attached Appendix 1) to reflect the slippage that has occurred as a result of the above, with the revised dates having been highlighted (shaded).

## **6. FORWARD ACTION PLAN**

- 6.1** Appendix 1 to the report sets out an updated forward action plan for developing the Council's Asset Management Strategy, which takes account of both the work undertaken to date, as set out in section 4 above, and the delay in establishing the Asset Management Team, as outlined in section 5.3 above. The Plan will continue to be subject to change, as experience and best practice guidance develops.

## **7. COMMUNITY PLAN / POLICY IMPLICATIONS**

- 7.1** The development and implementation of an Asset Management Strategy is crucial to assisting the Council in meeting its policy objectives within the Community Plan and associated action plans, by providing premises which meet the requirements for the delivery of services to the community they serve, in consultation and partnership with our Community Planning partners. The Corporate Management Team has considered and are supportive of the content of the report.

## **8. LEGAL IMPLICATIONS**

- 8.1** The implementation of an Asset Management Strategy will make integrated asset management planning a key corporate management process as required by the Local Government Scotland Act (2003) and will meet the requirements set out in the Scottish Executive's Best Value Task Force Advisory Note on Asset Management, which was issued in February 2005.

## **9. FINANCIAL IMPLICATIONS**

- 9.1** The Executive Head of Finance has made arrangements to establish an Asset Management Revenue Account which will meet the costs associated with establishing the Asset Management team and surplus property/demolition costs.
- 9.2** The financial implications of implementing an Asset Management Strategy have yet to be fully assessed, however, the cost associated with the acquisition of the Asset Management Information System, have been identified within the report to the Policy and Resources Committee on 8 February 2006. The staffing costs of establishing the Asset Management have yet to be finalised and reported to the relevant Council Committee for approval.

## **10. RECOMMENDATIONS**

**10.1** The Policy and Resources Committee is asked to:

- i) note the work currently being progressed with regard to developing an Asset Management Strategy;
- ii) agree that the Executive Director of Development and Property Services should continue to progress the Council's Asset Management Strategy as detailed in section 4 above and in the attached Forward Action Plan, in conjunction with Service departments;
- iii) agree to formally bring to an end the work of the Property Monitoring Member Officer Working Group as detailed in section 5.2 above and amend the Scheme of Delegation accordingly;
- iv) agree the revised procedures for Surplus Property as detailed in Appendix 2; and
- v) note that further reports will be provided in this area.

**James Lavery**  
**Executive Director of Development and Property Services**  
**27 January 2006**  
**JL/RP/ISE**

### **LIST OF BACKGROUND PAPERS**

- 1. Local Government in Scotland Act (2003);**
- 2. Scottish Executive Best Value Task Force Advisory Note on Asset Management – February 2005;**
- 3. Policy and Resources Committee Finance and Property Sub-Committee 23 April 1996 – Surplus Property;**
- 4. Report to Senior Staff management Team meeting on 29 July 2000 – Treatment of Surplus Property Costs;**
- 5. Policy and Resources Committee – Asset Management Strategy 31 May 2005;**
- 6. Report to Corporate Management Team – draft revised Procedure Note on Declaring Property Surplus to Requirements or Seeking Authority to Demolish – 23 November 2005.**

For further information please contact Robert Paton, Head of Economic Development and Property on 015634 – 576412, or Iain Edenborough Senior Surveyor, on 01563 576189.

**Implementation Officer:** Iain Edenborough, Senior Surveyor

**POLICY AND RESOURCES COMMITTEE – 8 FEBRUARY 2006**

**ASSET MANAGEMENT STRATEGY – FORWARD ACTION PLAN UPDATE**

ACTION REQUIRED/ACTION TAKEN	Original Target Date		Revised Target Date	
	START	END	START	END
Establish Asset Management Team (AMT) <ul style="list-style-type: none"> <li>▪ Report prepared June 05 – held pending Technical Services review</li> <li>▪ Report on proposed structure to be presented to Development Services and Corporate Governance Committees March 2006 –</li> <li>▪ Establishment of Team anticipated to commence April 2006</li> <li>▪ As an interim measure Senior Surveyor acting as “Asset Manager” to progress various issues until asset management resources identified.</li> <li>▪ Forward Action Plan revised to reflect above.</li> </ul>	07/05	10/05	04/06	07/06
Procure Asset Management Information System <ul style="list-style-type: none"> <li>▪ OJ Notice placed 8 July inviting expressions of interest – close 15 August</li> <li>▪ Tender specification with departments completed September 05</li> <li>▪ Shortlist and tender issued mid September 05</li> <li>▪ Tenders closed 31 October 05</li> <li>▪ 5 tenders received</li> <li>▪ Evaluation began w.c. 14 November 05</li> <li>▪ December 05 demonstrations by 2 preferred bidders</li> <li>▪ Evaluation Team complete review of tenders 19 December 2005</li> <li>▪ Report on bids to 11 January 2006 CMT</li> <li>▪ Report to 8 February 2006 P&amp;R Committee for approval of preferred bidder</li> </ul>	06/05	12/05	06/05	03/06
Collection of data on assets (including condition surveys etc.) <ul style="list-style-type: none"> <li>▪ Collation of occupancy costs for top 50 properties based on annual expenditure.</li> </ul>	10/05	Ongoing	10/05	09/06 First Phase
Review current property portfolio with Service departments <ul style="list-style-type: none"> <li>▪ Office accommodation requirements under review – establish criteria for assessment of need, all pro-forma’s now completed and being analysed</li> <li>▪ Roll out reviews with departments on a phased basis on remaining portfolio’s – delayed until asset management resources identified. Forward Action Plan revised to reflect above.</li> <li>▪ Establish protocols for departments to ensure that they establish Best Value in their use of assets.</li> </ul>	10/05	03/06	10/05	09/06 First Phase

ACTION REQUIRED/ACTION TAKEN	START	END	START	END
Comprehensive Asset Management Strategy approved by Policy and Resources Committee - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>Draft currently being progressed</li> <li>Detailed AMP is not required, as outlined in Scottish Executive Best Value Task Force Advisory Note on Asset Management (February 2005). Current reports will form the basis of the Comprehensive Asset Management Strategy being developed.</li> </ul>	06/05	03/06	06/05	09/06
Establish future property requirements of Service department - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>Identify future office requirements following review currently being carried</li> </ul>	03/06	06/06	03/06	12/06
Establish property needs gap – delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>Being progressed in relation to central office</li> </ul>	06/06	09/06	12/06	03/07
Consult with Community Planning partners, Local members and stakeholders on property requirements - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>Incorporate outcome of staff survey, relating to office accommodation issues.</li> </ul>	10/05	06/06	Ongoing	12/06
Identify preferred options to address property gap on a phased basis (this will be subject to constant review) - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>Options in relation to corporate office accommodation to be progressed once property needs has been established</li> </ul>	09/06	12/06	09/06	12/06
Develop Asset Management statements on each asset - delayed until asset management resources identified. Forward Action Plan revised to reflect above.	10/05	03/07	07/06	12/07
Establish link between Asset Management Strategy and Community Plan and corporate objectives - delayed until asset management resources identified. Forward Action Plan revised to reflect above.	12/06	03/07	09/06	12/06
Develop Implementation Programme and Capital Investment Strategy - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>Co-ordinate Repair and Maintenance budget to Capital Programme.</li> <li>Revised Capital Programme pro-forma developed and issued to departments to ensure that Capital and Revenue works are properly identified and charged to correct account.</li> </ul>	12/06	03/07	09/06	03/07

ACTION REQUIRED/ACTION TAKEN	START	END	START	END
Develop appropriate Option Appraisal procedures <ul style="list-style-type: none"> <li>▪ Review of options for engaging and instructing external consultants completed.</li> <li>▪ Consultation with other Local Authorities(West Lothian/Dundee City Council) on option appraisal techniques they have adopted</li> <li>▪ Report to CMT on 9 November 2005</li> </ul> Report outcome to 8 February P&R Committee.	07/05	12/05	07/05	03/06
Establish procedures for reviewing Surplus Assets (including alternative use by other departments/agencies) and develop a Capital receipts strategy <ul style="list-style-type: none"> <li>▪ Revised Surplus Property Procedures developed to allow early identification of surplus assets and development of a Capital Receipts strategy, report to CMT on 23 November 2005</li> <li>▪ Procedures to be approved by P &amp; R Committee on 8 February 2006</li> </ul>	10/05	03/06	10/05	03/06
Develop procedures for shared use/development with external partners/agencies - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>▪ Procedures to be approved by future P &amp; R Committee</li> </ul>	10/05	03/06	03/06	09/06
Develop appropriate procedures for Community Management of Council assets - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>▪ Procedures to be approved by future P &amp; R Committee</li> </ul>	10/05	03/06	03/06	09/06
Develop Local P.I.'s along with review and monitoring procedures - delayed until asset management resources identified. Forward Action Plan revised to reflect above. <ul style="list-style-type: none"> <li>▪ Proposed P.I.'s to be reported to future P &amp; R Committee.</li> </ul>	10/05	Ongoing	07/06	09/06 First Phase

**ASSET MANAGEMENT – PROCEDURES FOR DECLARING PROPERTIES SURPLUS**  
**/SEEKING AUTHORITY TO DEMOLISH**

<b>No</b>	<b>EXISTING</b>	<b>FINANCIAL RESPONSIBILITY</b>		<b>PROPOSED</b>	<b>No</b>
<b>1</b>	Service department reviews property need	Service department reviews financial implications		Service department reviews property need <b>in consultation with H o EDP 6 months prior to any decision being taken, with users and Local Member consulted as appropriate</b>	<b>1</b>
<b>2</b>	Service department submits report to service committee to declare surplus	All ongoing revenue costs met by Service Departments whilst Repairs met from CRA for General Services and HRA for Housing account; until sold leased or reallocated	All ongoing revenue costs met by Departments whilst Repairs met from CRA for General Services and HRA for Housing account; until sold leased or reallocated. <b>Costs associated with making property marketable will be met from Asset Management Account and Housing Capital Account respectively.</b>	H o EDP consults with Legal, Planning etc. and considers future options for property	<b>2</b>
<b>3</b>	Approval – remitted to EDDPS			<b>H o EDP consults with and reports to Service Department with recommendation of preferred option</b>	<b>3</b>
<b>4</b>	H o EDP consults with Legal, Planning etc. and considers future options for property			Service department submits report to service committee to declare surplus <b>or seek authority to demolish</b>	<b>4</b>
<b>5</b>	H o EDP proceeds to market, lease or reallocate property			Where declared surplus remitted to EDDPS and H o EDP proceeds to market, lease or reallocate property	<b>5</b>
<b>6</b>	Delegated Authority by EDDPS or P&R report on outcome in accordance with Scheme of Delegations			Delegated Authority by EDDPS or P&R report on outcome in accordance with Scheme of Delegations	<b>6</b>
<b>7</b>	Legal Services instructed to conclude matters.		Legal Services instructed to conclude matters.	<b>7</b>	
<b>8</b>	Property sold, leased or reallocated	New owner/tenant meets all future costs. New dept. meets all future revenue costs whilst repairs met from CRA		Property sold, leased or reallocated	<b>8</b>
<b>9</b>	Where property is non marketable- to be demolished as and when funds identified	All ongoing revenue costs met by Service Departments until demolished whilst Repairs to meet Insurance and H & S responsibility to be met from CRA for General Services and HRA for Housing account. Demolition budget to be identified	All ongoing revenue costs met by Departments until demolished whilst Repairs to meet Insurance and H & S responsibility to be met from CRA for General Services and HRA for Housing account. <b>Demolition costs to be met from Asset Management revenue Account.</b>	<b>Where approval granted to demolish property, Service Department to undertake demolition in consultation with H o EDP and property to be placed on a prioritised demolition programme.</b>	<b>9</b>

**ASSET MANAGEMENT – PROCEDURES FOR DECLARING PROPERTIES SURPLUS  
/SEEKING AUTHORITY TO DEMOLISH**

<b><u>No</u></b>	<b><u>EXISTING</u></b>	<b><u>FINANCIAL RESPONSIBILITY</u></b>	<b><u>PROPOSED</u></b>	<b><u>No</u></b>
<b>10</b>	At stages 4 and 6 of the revised procedures, reports will require to be submitted to the appropriate Committee in line with the standard Council Committee Cycles.			<b>10</b>
<b>11</b>	The HoEDP, in consultation with service departments and the Executive Head of Finance, will ensure that that the Asset register is timeously updated to account for all changes in the status of a property from being declared surplus until reallocated, leased, sold or demolished.			<b>11</b>
<b>12</b>	Where a property is vacant the department responsible for the property until its is reallocated, leased, sold or demolished will ensure that they comply with the Councils' Vacant Properties (Non-operational/Surplus properties) Insurance Inspections Procedure Note dated 4 April 2005.			<b>12</b>