

.EAST AYRSHIRE COUNCIL
POLICY AND RESOURCES COMMITTEE – 31 MAY 2005
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 update the Policy and Resources Committee of the progress that has been made and of the issues facing the Council in relation to developing an Asset Management Strategy and to set out a Forward Action Plan and timetable for delivering an integrated Asset Management Strategy.

2. BACKGROUND

- 2.1** At its meeting of 17 November 2003 the Corporate Governance Committee considered two reports by the Director of Development Services on Asset Management and Central Office Accommodation Strategy.
- 2.2** With regard to Asset Management, the Committee agreed the key principles and objectives set out in the report in taking forward and developing an Asset Management framework, many areas of which have already been initiated and are highlighted further in section 3 below. Those areas which have still to be addressed are referred to further under section 4 of this report.
- 2.3** The Central Office Accommodation Strategy report set out options for the delivery of the Council's long term central office accommodation requirements. Committee agreed that the Director of Development Services should develop the strategy further, based upon the multi-site option covering London Road, Civic Centres North and South, new office development near to 2 The Cross in Kilmarnock and Cumnock Town Centre.
- 2.4** The approach being recommended by the Scottish Executive and adopted by Scottish local authorities is to develop and implement an Asset Management Strategy. Although there is no formal statutory requirement to do so, the Local Government Scotland Act (2003) makes integrated asset management planning a key corporate management process. Whilst no formal guidance has been set out as yet, in the interim period, the Scottish Executive's Best Value Task Force issued an Advisory Note on Asset Management in February 2005, which is intended to support Local Authorities in taking forward Asset Management generally. Many of the tasks set out in the Advisory Note are reflected in the work done to date by the Council; others are contained in the approach proposed within this report. In addition, both the Prudential Borrowing regime and the recent management letter from the Council's External Auditors have re-emphasised the point that the Council is required to develop and adopt an Asset Management Strategy.

2.5 The Council's External Auditors, PricewaterhouseCoopers, in their 2003/04 Annual Report to Members, identified a number of action points relating to Asset Management and required that these to be addressed by March 2005. In addition, and in agreement with Development and Property Services, the external auditor has set out some new actions for 2004/05.

2.6 Whilst some progress has been made to date in developing an Asset Management Strategy, a degree of slippage has occurred in relation to the due dates set out in the External Auditor's report for the 2003/04 actions. The Appendix attached to this report sets out revised dates for completing the outstanding actions and new actions, all of which are now deemed to be realistic and achievable.

3. ACTION TAKEN TO DATE

3.1 The Council, as noted above, has already carried out a range of actions in progressing the decisions taken by the Corporate Governance Committee, particularly in relation to the requirement to have an appropriate Asset Management Strategy, including:

- the initiation of a detailed officer led review of surplus property, which has seen a report presented to the Corporate Management Team (CMT) on the review of assets within a number of settlements;
- a review of service delivery and accommodation issues in Stewarton, Galston, Crosshouse and Auchinleck; the reviews have resulted in reports to the CMT on potential options, which are currently being progressed in consultation with the Local Members and the wider community;
- the initiation of a review of Corporate Office Accommodation, which is ongoing; the multi-site proposal agreed by Corporate Governance Committee at its meeting of 17 November 2003, is being assessed and appraised and a report on progress will be submitted to Committee in due course;
- the requirement for a functional specification for a Corporate Asset Management IT System for the Council; this is currently being progressed and the current position is discussed further under 4.6 below; and
- the development of standard "sign off" procedures for all elements of the Capital Programme, to provide a clear link between Asset Management, Option Appraisal, the Council's Capital Investment Plans and the Prudential Framework.

In addition, the Executive Director of Development and Property Services has been appointed the Council's Asset Manager.

4. AREAS OF WORK REQUIRED

4.1 There are four main areas of work to be developed in bringing forward an Asset Management Strategy. These are:-

- the further development of a Councilwide Asset Management Strategy (4.2);
- acquisition and implementation of Asset Management Information System (4.6);
- Option Appraisal (4.10); and
- consideration of suitable staffing structures within the Council (4.15).

Asset Management Strategy

4.2 A formal Asset Management Strategy, as noted above, requires to be developed and adopted by the Council. This will provide an understanding of the property held and used by the Council, to enable value for money issues to be addressed, informed service improvements delivered and accountable decisions made. The Strategy will draw upon information from Service Departments, in conjunction with the Council's Asset Manager.

4.3 The Strategy will be linked to the Community Plan, the Council's Capital Programme and Service Departments' Best Value Performance Plans and appropriate Service Plans.

4.4 The Strategy will be based upon a 5 year planning cycle and will require to be reviewed and updated annually. There are 5 key component parts which will be required to be incorporated and reflected upon within the specific actions set out in the Forward Action Plan in the appendix. These are:-

- an overview of the property and other assets, aims, objectives and strategies;
- a statement of the current portfolio and other assets;
- key areas for change;
- preferred options for key areas; and
- appropriate implementation programmes.

4.5 The Council's Strategy will require to be subject to 'Consultation, Engagement and Accountability', which will be achieved by:-

- Service departments consulting their stakeholders on how they deliver their service to the community; such consultations may identify opportunities for community management of some council properties, where this can be shown to be the most appropriate way to deliver the service; and detailed

procedures on how community management would be undertaken will be developed;

- consultation with our Community Planning partners; through this process there will be the opportunity to consider and develop shared use of and/or development of property, with appropriate protocols being developed;
- consulting the local member and the community when progressing specific proposals, as has been the case in the Auchinleck and Stewarton developments;
- proposing that all Committee reports where relevant, have a standard section on '**Asset Management Implications**', and which will require the comments of the Executive Director of Development and Property Services on the potential implications of the course of action proposed in Committee reports, in terms of the Council's assets, similar to the need to consult with Legal Services or Finance on legal or financial issues respectively, and links to the Community Planning process.

Asset Management Information System

- 4.6** The Council's external auditors have advised, and officers agree, that the Council should operate an Asset Register capable of producing a council wide system that will allow the Council to efficiently and effectively comply with the CIPFA Capital Accounting requirements.
- 4.7** Whilst the Council's Education Service have procured a bespoke Asset Management System in order to meet their service specific priorities and deadlines, it is proposed that the council-wide system will either be the same system (depending on the outcome of the planned next stage procurement exercise) capable of use for all the Council's assets; or it will be a separate system with tight , built-in interface linkages, with full compatibility with the Education based system, such that to all intents and purposes, the Council will have one Asset Management System producing one Asset Register.
- 4.8** The only exception to this is the bespoke Orchard System in respect of the Council's Council Housing Stock and possibly for the Council's Roads Infrastructure for which all 32 Scottish Councils and the Scottish Executive are working towards putting together a joint Efficient Government Funding bid to establish a common system, which will incorporate the information currently being collected as part of the review of Infrastructure Assets.
- 4.9** The planned new Asset Management Information System, controlled and managed by the Council's Asset Manager, will form an essential element of the decision making process and will produce the following benefits to the Council:-

- co-ordination of the Council's Capital Programme and Repairs Management Programmes;
- improved collaboration in developing cross-departmental projects and linking with development opportunities;
- effective monitoring of the performance of the Council's property portfolio;
- identification of future property requirements, which may result in assets that are no longer 'fit for purpose' being disposed (with the potential for capital receipts) of and the acquisition/lease of new properties; and
- the ability to develop local performance indicators, demonstrating how the Council is using and maintaining its assets.

Option Appraisal

- 4.10** An Asset Management Strategy will allow the Council to review its property requirements and determine how well its current property portfolio meets the needs of current and future service delivery.
- 4.11** The outcome of this process will no doubt result, in a number of cases, in the need for either refurbishment, replacement and/or rationalisation of the property portfolio. In reaching a decision on the most appropriate and efficient/effective course of action, a detailed appraisal of the options will be necessary. This should assist in prioritising the capital and revenue programmes on the basis of need.
- 4.12** Using formal Options Appraisal techniques linked to the Council's Best Value framework, will:-
- promote policy development and effective resource allocation across the Council;
 - inform decision making and improve the alignment of departmental programmes and projects with Council policy objectives, priorities and the expectations of the public;
 - identify other possible approaches which may achieve similar results;
 - wherever feasible, attribute monetary values to all impacts of any proposed project and programme; in certain circumstances there may be non financial benefits associated with a particular project and here a weighted analysis of these will be undertaken; and
 - take account of relevant wider social costs and benefits of proposals, together with the need to ensure the proper use and stewardship of public resources.

4.13 The Treasury Green Book, Appraisal and Evaluation in Central Government, provides best value guidance to public sector bodies on how property related proposals should be appraised before significant funds are committed. This guidance has also traditionally been adopted by local authorities. It details how and where option appraisal techniques should be used. There is a wide variety of appraisal techniques used by the private and public sectors with reference to the Treasury Green Book and it will be necessary to produce a set of procedures and guidance notes on the type of option appraisal to be used by the Council and Departments, and when these should be used.

4.14 In recognition of the wide range and complexity of option appraisal techniques in existence, it is proposed that the Asset Manager consider options for engaging external consultant assistance to examine the Council's requirements and develop an Option Appraisal methodology, procedures and guidance, the outcome of which will be presented to a future meeting of the Policy and Resources Committee for consideration and approval. All of this will be considered by the Asset Manager, with a series of formal Procedure Notes being put in place in due course.

Structures

4.15 Responsibility for delivering the Asset Management Strategy rests with the Council's Asset Manager, who has the delegated authority and resources to fulfil the task.

4.16 The key specific responsibilities of the Asset Manager are to:-

- facilitate a more corporate approach to property management;
- assess, consider and apply corporate drivers for future change;
- manage strategically, the asset management planning process, including space utilisation, assessing future needs and actions, and developing implementation programmes;
- ensure that whole life costings are reflected in capital and revenue property decisions;
- ensure that basic information on assets held and their condition is available; and
- put in place local performance indicators.

- 4.17** Given that Asset Management has increased in priority for the reasons highlighted in the Committee report, it is proposed to establish a dedicated Asset Management Team within Development and Property Services (Economic Development and Property) comprising both professional, technical and clerical staff. In terms of resourcing the shift towards comprehensive Asset Management throughout the Council, it is suggested that a report on both the staffing structure and financial implications should be prepared for consideration by the appropriate Council Committee.
- 4.18** The Asset Management Team will draw on existing Property Team Structures, but may require to be supplemented by additional staff, some of whom may be temporary appointments.

5. GENERAL COMMENTS

- 5.1** Effective Asset Management planning involves a challenge to service departments on those capital assets held by them and the use to which they are put. The Asset Management Strategy will establish a clear framework which will allow Departments and the Council to demonstrate that, jointly, we are meeting the requirements of the Local Government in Scotland Act (2003) and of the Prudential Borrowing regime. It will enable a co-ordinated approach to these issues across the authority by taking account of both individual service requirements and corporate priorities. The benefits flowing from this approach will be:-
- improved information on assets to assist and inform decision making;
 - the achievement of a sustainable asset base; in this regard the development of condition surveys is fundamental as this will allow the Council to gauge the level of resources required to develop and maintain the asset base and better manage the maintenance backlog; it will also allow better co-ordination of Capital and Repairs Maintenance programmes;
 - optimisation of capital receipts through the identification and disposal of surplus and under utilised assets through a capital receipts strategy;
 - enabling the Council to adopt longer term planning in which to improve and develop the quality of services, through greater collaboration in developing cross departmental projects and linking with development opportunities;
 - using the asset base for the benefit of the wider community; and
 - improved information on which to base a case for additional resources/funding.

6. FORWARD ACTION PLAN

- 6.1** The appendix to the report sets out a forward action plan for developing the Council's Asset Management Strategy, which will be subject to change, as experience and best practice guidance develops.

7. 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.

8. LEGAL/FINANCIAL 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.
- 8.2** The financial implications of implementing an Asset Management Strategy have yet to be fully assessed, however, there will be significant costs associated with the acquisition and implementation of an asset management information system, together with some ongoing staffing costs yet to be determined.

9. RECOMMENDATIONS

- 9.1** 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) 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.

James Lavery
Executive Director of Development and Property Services
18 May 2005
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. External Auditors Reports dated October 2004; February 2005 and 1 April 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

APPENDIX

POLICY AND RESOURCES COMMITTEE – 31 MAY 2005

ASSET MANAGEMENT STRATEGY

ASSET MANAGEMENT STRATEGY – FORWARD ACTION PLAN

MAY 2005

ACTION REQUIRED	START	END	Responsibility
Establish Asset Management Team	07/05	10/05	EDDPS
Procure Asset Management Information System	06/05	12/05	EDDPS
Collection of data on assets (including condition surveys etc.)	10/05	Ongoing	EDDPS
Review current property portfolio with Service departments	10/05	03/06	EDDPS and Service Depts.
Establish future property requirements of Service departments	03/06	06/06	EDDPS and Service Depts.
Establish property needs gap	06/06	09/06	EDDPS and Service Depts.
Consult with Community Planning partners, Local members and stakeholders on property requirements	10/05	06/06	EDDPS
Identify preferred options to address property gap	09/06	12/06	EDDPS and Service Depts.
Develop Asset Management statements on each asset	10/05	03/07	EDDPS
Establish link between Asset Management Strategy and Community Plan and corporate objectives	12/06	03/07	EDDPS & Corporate body
Develop Implementation Programme and Capital Investment Strategy	12/06	03/07	EDDPS and Service Depts.
Comprehensive Asset Management Strategy approved by Policy and Resources Committee	06/05	03/06	EDDPS
Develop appropriate Option Appraisal procedures	07/05	12/05	EDDPS
Establish procedures for reviewing Surplus Assets (including alternative use by other departments/agencies) and develop a Capital receipts strategy	10/05	03/06	EDDPS
Develop procedures for shared use/development with external partners/agencies	10/05	03/06	EDDPS
Develop appropriate procedures for Community Management of Council assets	10/05	03/06	EDDPS and Service Depts..
Develop Local P.I.'s along with review and monitoring procedures	10/05	ongoing	EDDPS and Service Depts.