

**EASTAYRSHIRE COUNCIL**  
**CORPORATE GOVERNANCE COMMITTEE – 17 NOVEMBER 2003**  
**ASSET MANAGEMENT**  
**Report by the Director of Development Services**

**1 PURPOSE OF REPORT**

- 1.1** To report to Committee on significant developments with regard to 'Asset Management' and recommend principles and objectives for Asset Management Planning for East Ayrshire Council.

**2 BACKGROUND**

- 2.1** New powers and duties were introduced through the Local Government in Scotland Act (2003) which will make integrated asset management planning a key corporate management process. Asset Management Planning (AMP) will both assist the Council in making best use of the new powers for the benefit of the communities it serves, and will be expected by external auditors as a framework in which some of these new powers are applied.

- 2.2** The key relevant new powers and duties are:

- **Best Value:** Local Authorities need to be able to demonstrate they have arrangements in place which secure best value. This will include a duty to improve the use and utility of their existing assets. In securing Best Value in Asset Management, there is also a duty to contribute to the achievement of sustainable development, which balances the social, economic and environmental objectives of the Council. This will involve taking asset management decisions in the wider context of the impact on the community in which these assets are located.
- **Prudential Capital Borrowing:** The new framework for capital borrowing will remove central controls over the level of capital expenditure, but there is a duty to determine the maximum amount the Council can afford to allocate for capital expenditure. This will require an asset management plan and options appraisal framework against which proposals for capital expenditure are justified.
- **Community Planning:** There is also a duty to initiate, maintain and facilitate the process of Community Planning. This will require the Council to plan the development of its assets in a way which relates to the interests of other local organisations. The joint use of premises and facilities such as the Dalmellington Area Centre is a good example of this.
- **Power to Advance Wellbeing:** Local Authorities can promote or advance the 'well being' of their area or persons within the area. This may provide greater opportunities to undertake the development of assets jointly with other bodies including private developers.

- **Disposals at less than market value:** Although not yet implemented Councils will in future be able to dispose of property at less than the market value. But this new discretion will be subject to mandatory criteria, which may include a justification for the disposal in the context of an asset management strategy.

**2.3** Local Authorities south of the border are already required to report on how they intend to approach Asset Management planning. North of the Border guidance has already been given to Education Authorities on compiling Schools Estates Plans, with a requirement that these should be developed in the wider context of the management of the Council's overall asset management planning.

### **3 KEY PRINCIPLES OF ASSET MANAGEMENT PLANNING**

**3.1 Relationship with service managements:** In some Councils all assets are centrally 'owned' and made available to service functions on the basis of internal re-charges of the costs. East Ayrshire Council has a hybrid system in which maintenance programmes, technical services, property transactions, financial accounting and janitorial services are provided centrally, whilst planned improvements and operational use are managed by service departments. This has the advantage of providing a close link between service operations and property management. It considered that Asset Management Planning should be developed in a way which reinforces the relationship between service management and the management of the properties through which services are provided, whilst introducing a greater consistency in approach, and a stronger focus on integrated property development projects.

**3.2 Integration with the community:** In most communities Council properties are focal points as well as centres for the delivery of Council services. There may also be opportunities to secure improved Council facilities through joint development with other public bodies (for example the planned North West Kilmarnock Centre) and private developers. Asset Management Planning should seek to develop the Council's properties in a way which supports the regeneration of local communities at the same time as improving the delivery of Council services.

**3.3 Financial planning and options appraisal:** A central function of Asset Management Planning will be to assist the Council in drawing up priorities for capital expenditure. Under the new Prudential Borrowing arrangements Council's will also be required to show that they have a framework for the consistent appraisal of options before committing themselves to major capital expenditure.

**3.4** Reflecting these principles it is proposed that Asset Management Planning within the Council should be focused on the following objectives:

- Assist service managers to relate service improvements to property management and improvement

- Provide a framework for investment options appraisal and the capital programme
- Improve consistency in property management
- Assist in identifying opportunities for cross-department development
- Assist in securing funding through external finance
- Assist in promoting investment through joint projects and linking with development opportunities
- Help to ensure that the Council is seen to have a central place in our communities and to be contributing to their regeneration and maintenance

#### **4 STEPS TOWARDS AN ASSET MANAGEMENT PLANNING FRAMEWORK**

**4.1** A number of processes already exist within the Council which provide the basis from which asset management can be developed, including:

- The Member Officer Working Group on Property
- A number of service development plans
- Initial work on a schools estates strategy
- A comprehensive audit of disability access is being carried out for all operational properties
- A central property database
- Co-ordination of the capital programme
- Co-ordinated repairs management

**4.2** Key steps in improving current processes will include:

- Compilation of consistent data on the condition, operating costs and usage of all properties
- Development of a consistent approach to option appraisal and prioritisation of both maintenance expenditure and investment funds
- Improved collaboration in developing cross departmental projects and linking with development opportunities

**4.3** Equally important, however, will be developing policies, service objectives and performance measures for asset management which reflect the distinct needs for different categories of properties. The Council's property assets fall into a number of groups for which quite different management regimes are appropriate:

- Operational properties, where the needs of service delivery are the primary drivers (there are over 400 operational properties)
- Investment properties (factory units and commercial properties) which require to be managed on a 'commercial' basis (there are 180 units held as investment properties)

- Community assets which are not operated directly by the Council but which are used for the provision of services for the community (generally these are leased on a concessionary basis to a voluntary organisation)
- Infrastructure properties which may be important features within a community but are not managed as service delivery facilities (the principle infrastructure assets for which the Council are responsible are roads but the category includes assets such as flood prevention works, unadopted footpaths and bridges, environmental improvement schemes, and miscellaneous amenity areas)
- Depots, which are managed within the framework of the business plans of trading services units
- Surplus properties which are scheduled for marketing

**4.4** Drawing together all these strands into a comprehensive asset management process will require further discussion across the Council and will take some time. A number of actions, however, have already been initiated which form steps towards a full asset management process:

- An officer working group has been formed to consider the best way to develop a central property database which will serve a broader function than the databases which are currently in use
- Departments have been asked to provide a summarised review of the condition and level of usage of operational properties to assist in drawing up capital programme priorities for the next financial year (this will have a value in itself, but will also assist in developing procedures for relating capital programmes to asset management)
- The audit of disability access is being used as the basis for a programme of minor works to improve access
- A strategy for central office accommodation is being drawn up (see separate item on this agenda – this work has also involved developing an options appraisal procedure)
- Arising from issues highlighted by the disability access audits and outstanding commitments to new local office facilities integrated strategies are being drawn up for improvements in Council properties in Stewarton, Galston and Crosshouse (these strategies will involve developing approaches to community consultation on options)

## **5 FINANCIAL AND LEGAL IMPLICATIONS**

**5.1** There are no financial or legal implications arising directly from the recommendations of this report

## **6 RECOMMENDATIONS**

**6.1** It is recommended that the committee:

- a) note the progress which has been made in developing an asset management planning framework for the Council:
- b) agree the principles and objectives for asset management planning set out in section 3 above; and
- c) note that a further report setting out an overall framework for asset management planning will be submitted to the committee in due course.

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**7 November 2003**

### **BACKGROUND PAPERS**

**Nil**

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