

CORPORATE ASSET MANAGEMENT

Abstract

This report summarises the recommendations of the Audit Commission with regard to property asset management by local authorities and includes a proposed action plan for the compilation of asset management plans for Angus Council non housing properties.

RECOMMENDATION

The Personnel and Property Services Committee is recommended to:

- a) note the contents of this report
- b) note the progress in the completion of asset management plans for schools
- b) instruct the Director of Property Services to implement the action plan contained within the report.

1 INTRODUCTION

It is widely recognised that, particularly in times of financial constraint, local authorities should ensure that they optimise the use of all assets engaged in the delivery of council services. This is particularly appropriate for the property estate used by the council, whether owned or leased. The introduction of Capital Accounting was seen as a major initiative to promote this objective, which continues to remain valid.

Recent guidance from the Audit Commission has once again highlighted the benefits to be achieved by adopting a corporate asset management approach to the council estate when integrated with a range of other measures.

This report details the issues arising from the introduction of corporate asset management, its relationship with other initiatives and recommends a way forward.

2 BACKGROUND

The report "Hot Property - Getting the Best from Local Authority Assets", recently published by the Audit Commission recommends that it is best practice

- to match property requirements to property holdings,
- examine the possibility of shared occupation with other public sector bodies where they hold 'better' property (in terms of location, suitability of type of property, condition, running costs etc),
- retain sufficient of the best (as previously defined) in order to satisfy requirements, and
- dispose of the rest.

It introduces a new concept that where a need is identified, firstly property owned by other public sector bodies (e.g. police, health board) should be examined to see if surplus capacity exists, then secondly short/medium term leasing from the private sector should be examined in preference to purchase.

In the former case this integrates nicely with partnership working and community delivery of services whilst in the later case it appears to either reflect the Public Private Partnership approach or the impact of ever-changing central government strategies.

The main thrust of the report is that Councils should have an overall asset management plan for all of their property holdings in order to minimise the cost of property whilst maximising its contribution to core services, and sets out some suggestions on how to achieve this, along with illustrations of some of the problems.

The core strategy is that councils should concentrate on the provision of frontline services, ensuring that these are properly situated in terms of location, property type, condition, running costs etc, the argument being that only the services accessed by the public need to be in expensive town centre properties, the remaining support services can be located in less expensive out-of-centre accommodation, consideration should be given to leasing rather than owning, and everything not associated with the provision of frontline services should be considered for disposal.

It will be recalled that it was a requirement for Education Authorities to establish asset management planning arrangements in Scotland as a recommendation contained in the guidance which accompanied the additional revenue and capital funding provisions made available to the council in its early years. This has been addressed by the Education and Property Services departments through the appointment of a Property Advisor and the programme of asset management plan reports for schools. (see below)

Local authorities in England are already required to prepare asset management plans as a support to the budget setting process and this may well be adopted in Scotland in the future.

3 IMPLICATIONS

Asset management entails: -

1. The preparation of an asset management plan.

This requires a long-term overall view, but the political framework of many councils where ownership and control of property is held by individual committees can prevent efficiency being maximised.

Realistically, the cost differences between town centre/peripheral properties really only apply to major towns/cities and have no real impact on essentially rural councils such as Angus.

We do lease rather than own some properties, however the extent to which this can be increased is one of the main problems in implementing the paper, namely the basic assumption that there is a ready supply of suitable accommodation. There is no known surplus other public sector accommodation - indeed one of the local health trusts occupies part of one of our properties (Ravenswood).

2. Monitoring the cost and use of property assets.

Property is an expensive overhead, so councils should occupy the minimum space needed to deliver or support services. As councils' space needs are not constant, in order to minimise costs and maximise flexibility, alternatives such as hot desking, working from home, and leasing rather than owning should be considered. Linkages with Local Agenda 21 and modernising government strategies are evident.

3. An examination of the need to hold non-operational property.

Non-operational assets can be a sensible use of resources, but only where the net benefit to the community is greater than could be achieved by investment in frontline services.

For example, to justify owning industrial land/property a council should be able to demonstrate both an adequate rate of return on investment and that this is the best or only way, to stimulate local economic development.

In general terms, for the more rural councils such as Angus, as opposed to the main conurbations in the Central Belt, almost the only way to stimulate economic development is for the council to take the lead and other factors such as stimulating local employment can be as important as the pure financial returns. Notwithstanding this, where practicable industrial land/property is sold on to occupiers and the income recycled into new developments.

Retail units, generally built as part of housing developments, are no longer considered an essential activity here in Angus and are actively being sold to occupiers or on the open market when falling vacant.

4. Shared occupation

Make services more accessible and 'join up' provision with other agencies.

4 CURRENT STATUS

In respect of Education properties, good progress has been made in the preparation of asset management plans for the school estate as reported to the Education Committee on 16th October 2001 (Reference Report 1145/01). One key aspect of these plans is the 'Fitness for Purpose' section which considers the suitability of the building for the delivery of the modern curriculum and complements the traditional property inspection.

- ◆ *plans for all 59 primary schools are complete*
- ◆ *work has commenced on the preparation of plans for the 8 high schools and is expected to be complete by March 2002*

In respect of other non-housing properties, the council currently operates asset management to a limited degree and monitoring the cost and use of property assets to an extensive degree through a range of activities: -

- management of the corporate non-housing estate by the Property Services department and:-
 - ◆ *the development and execution of programmes of property disposals;*
 - ◆ *the monitoring of property maintenance condition;*
 - ◆ *the management and monitoring of property maintenance, energy and water costs;*
 - ◆ *the introduction of property performance benchmarks;*
 - ◆ *the management of an office accommodation strategy plan.*

- a recent survey of office accommodation established
 - ◆ *a general shortage of space across most departments particularly those located in County Buildings*
 - ◆ *some departments suffered operational difficulties due to being split over different locations, properties and within buildings*
 - ◆ *the general environmental quality of some offices was poor e.g. parts of St James House*
 - ◆ *temporary units with limited life expectancy used at County Buildings, Ravenswood and Dewar House*
 - ◆ *more training rooms were required*
- the use of short/medium term leasing rather than outright ownership;
- the recommendations on more flexible working/accommodation practices detailed in a draft report produced and submitted in March last year by a working party;
- the adoption of the Capital Project Appraisal process and the review of property implications contained within this process;
- the recent revaluation of non-housing council properties to assist capital accounting.

The council is already working towards the shared use of accommodation through: -

- the introduction of access offices which are a prime example of making all council services more locally accessible, although at present this has not included the provision of access to non-council services, such as job centres and benefit agencies;
- the partnership working between the Social Work department together with Scottish Homes and Tayside Health Board in conjunction with the Angus Community Care Charitable Trust at a number of locations;
- the partnership working with Angus College demonstrated at Fairley House, Kirriemuir;
- the councils approach to community schools;
- the recent review of council properties used for meetings and their rationalisation;
- the proposal through the Modernising Government strategy to establish a multi-agency access office in Angus is indicative of the adoption of such a shared partnership approach.
- the consideration of introducing the Housing Department into the ACCCT partnership funding framework.

5 THE WAY FORWARD

The Audit Commission's paper includes a set of recommendations for local authority managers, elected members and the Government. The recommendations for managers are reproduced below with comments on the Angus situation.

	What needs to be done?	Angus Council	Further Action
1	Enhance awareness of property as a strategic resource that needs to be actively managed at both corporate and service levels. Provide appropriate and timely information to elected members to aid decision-making.	Angus Council has a Property Services department and committee.	Review the role of the property asset in service planning by Chief Officers at each service plan review. Agree the principle of asset management plans.
2	Clearly identify responsibility for strategic asset management.	as above	as above
3	Develop a council-wide property strategy/asset management plan (AMP) setting out the sufficiency, suitability and cost of existing assets, needs for the future and how these will be achieved.	Education AMPs underway. Office accommodation strategy being further developed.	Extend AMP to offices and other non education properties. E.g. Cultural Services – Mar 2002 Offices – Apr 2002 Social Work – Sep 2002 Rec facilities and others – Mar 2003.
4	Put in place information gathering and monitoring processes to support the AMP.	Supporting mechanisms already in place.	
5	Review assets and challenge whether they need to be retained. Dispose of assets that do not support core service objectives or fail to make an adequate return on investment.	Disposals programme already utilised. Future strategy to be informed by the asset management process.	Further review assets within AMPs and as part of BV reviews and Service Plans by Chief Officers
6	The use of property resources should be considered in every (relevant) best value service review.		as above
7	Investigate innovative methods of service delivery, maximising the use of information and communications technology to improve accessibility and drive down property costs.	Being considered within e-government strategy.	Ensure e-government develops a clear property dimension. Timescale tba.
8	Pursue opportunities to share property with other local agencies, balancing cost, quality and user demands.	Potential for new opportunities in Angus.	Explore opportunities in Angus through Modernising Government agenda (eg Arbroath ACCESS office), Community Planning and closer working with the Health Trusts.

Further progress on corporate asset management plans will require significant input from service departments since the provision of the property asset follows the provision of the service. This will also raise the question of whether property is seen as a corporate asset and managed corporately or a departmental / committee asset.

Whilst we do have a disposal programme, this is decided more by the individual committee(s) declaring the property surplus rather than as a result of an overall council property/asset management plan or strategy.

6 FINANCIAL IMPLICATIONS

The cost of undertaking the asset management plan proposals will be contained within the Property Services departmental budget.

7 HUMAN RIGHTS ACT IMPLICATIONS

There are no Human Rights Act implications specific to this report.

Any implications, as a consequence of discharging recommendations detailed in this report, will be managed in accordance with the standing procedures and processes established by the Property Services department.

8 CONSULTATION

The Chief Executive and the Directors of all departments have been consulted in the preparation of this report.

9 CONCLUSION

The compilation of asset management plans is recognised as good practice within the property management remit of local authorities. Such plans are essential tools to help shape and support the future property investment strategy adopted by the Council.

10 REFERENCES

<u>Committee</u>	<u>Date</u>	<u>Report No.</u>	<u>Subject</u>
Education Committee	16 th October 2001	1145/01	Asset Management Plan

BACKGROUND PAPERS

The following paper, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), was relied on to a material extent in preparing the above report.

- "Hot Property - Getting the Best from Local Authority Assets", recently published by the Audit Commission.

M G Lunny
Director of Property Services

Asset Mgt Plan 6.11.01/MGL