

The Highland Council
Resources Committee – 11th June 2008

Agenda Item	
Report No	

Asset Management Update

Report by Director of Housing and Property

Summary

This report provides an update on asset management planning in Highland Council and introduces proposals for rationalising assets and prioritising capital investment.

1. Background

- 1.1 The Resources Committee approved the Council's Corporate Asset Management Plan in November 2007. This plan set out the principles and benefits of asset management planning and sets out an action plan to embed asset management in the Council's planning processes, which will support the Administration's corporate objective 10.6, to pursue best value and to seek efficiencies in our way of working.
- 1.2 The Council recognised the importance of this agenda by allocating a budget of £170k per annum to establish an asset management team. The Property Manager (Asset Management) who was leading this work has since left the Council and the Director of Housing and Property is now seeking to re-launch and raise the profile of asset management planning across the Council.

2. The Importance of Asset Management

- 2.1 Asset Management and its planning needs to involve the whole Council; it is not just something for Property Managers.
- 2.2 Assets are expensive in terms of both their capital value and annual costs of upkeep. Indeed the costs over the lifecycle of an asset are typically many times greater than the costs of original procurement. Effective asset management is an essential tool in the pursuit of best value.
- 2.3 It takes time to manage change in the asset portfolio to determine carefully new property needs and to procure and provide them. It also takes time to rationalise assets to ensure an optimum fit between corporate objectives, staff deployment and property needs.
- 2.4 Studies show that people's perceptions of public services are heavily influenced by their impressions of the buildings in which they come into contact with those services. The Council's corporate image is relevant to customer satisfaction and staff morale.
- 2.5 The work needs to embrace all asset types including property, housing, roads,

bridges, IT, open space and fleet assets

3. Benefits for The Highland Council

3.1 The potential benefits of effective asset management for Highland Council include

- Rationalisation of our extensive asset base such that we match up our corporate objectives and our need for assets. It is likely that we will be able to reduce the number of assets held from over 2700 at present and to make a significant contribution to efficiency targets
- Better use of scarce maintenance resources so that our retained assets perform more effectively.
- More effective targeting of capital investments based on good information and a structured option appraisal process
- Improved risk management
- Better compliance with statutory requirements and best practice indicators
- Best value service delivery in properties suited to the functions they accommodate
- Enhanced opportunities for partnership working in shared facilities

4 Current Situation

4.1 There is a great deal of work to be done. While we hold good estates information on our schools our property database is generally patchy and inflexible. The database indicates that

- 55% of our property is in satisfactory condition
- 60% of our property is considered suitable for its current use
- 70% of our public caller buildings are DDA compliant
- 10% of our houses comply with the Scottish Housing Quality Standard
- The leases on 28 office buildings will terminate by 2014

4.2 An Asset Management Team is being formed from staff currently working in the Housing and Property Service. This team will be dedicated to the asset management agenda and will be supported by key contacts from other Services and by external consultants.

4.3 Audit Scotland are currently engaged in an audit of Scottish Local Authorities progress with Asset Management. They have indicated that The Highland Council is one of 6 Councils in which they intend to carry out detailed fieldwork during June 08. We can expect the Audit to identify a number of areas where further work is required.

5 The Way Ahead

5.1 The November 07 report set out an Implementation and Action Plan which will now be taken forward with a high priority. In the context of our current situation and our extensive portfolio of assets this action plan can be expected to take 2 years to deliver. Thereafter the focus will move to development and maintenance of the programme as a permanent feature of Corporate planning processes.

- 5.2 While the planning and data gathering work is proceeding it is proposed that 2 parallel work streams be progressed.
- 5.3 Firstly it is vital that the Council makes early progress on the rationalisation of its assets. A tool will be developed to identify assets which could be declared surplus and sold. Each asset will be reviewed and the tool will take into account a wide range of factors including
- Contribution to corporate objectives
 - Duplicate provision and potential alternatives
 - Condition and suitability
 - Compliance
 - Costs to run and maintain
 - Intensity and pattern of use
 - Location
 - Sustainability issues and potential improvements to carbon emissions
 - Potential for partnership working
 - Disposal value
- 5.4 Secondly the Council must use Asset Management as a key component in its Capital Planning processes. In order to make best use of scarce capital resources it is important to take a Corporate view of priorities to ensure that capital allocations support the objectives of the Council, the priorities of its Service teams and the capital requirements of its assets.
- 5.5 This corporate approach will ensure that the optimum balance is found between the development of new assets and the maintenance and upgrading of existing assets. The good practice endorsed by Audit Scotland emphasises the vital link between asset management and capital planning.
- 5.6 It is proposed to review examples of good practice of corporate capital planning in other organisations (including Councils) and to develop a process which uses option appraisals to more effectively prioritise the capital programme.
- 5.7 The Director of Housing and Property will directly lead the Asset Management work until the process and the team is established. It is intended that in 2009 an Asset Management Team Leader will be appointed to manage this work.

6. Recommendation

It is recommended that the Resources Committee notes the progress being made on asset management and the links between this work, asset rationalisation and capital planning.

Signature:

Designation: **Director of Housing and Property**

Date: 2 June 2008