

Agenda Item	
Report No	

Corporate Improvement Programme - Review of Asset Management by CIPFA Property

Report by Director of Housing and Property

Summary

The Asset Management Project Board invited CIPFA Property to conduct a review of the Council's approach to asset management. This paper reports on their findings and recommendations. It seeks approval for a "target operating model" and sets out an action plan for its delivery.

1 Introduction

- 1.1 The Highland Council has recognised the importance of asset management in the delivery of best value services and has established asset management as a key theme in its Corporate Improvement programme. The potential benefits from this work are very important to the Council's savings agenda.
- 1.2 The Best Value 2 report identifies asset management as an area for improvement and recommends that the Council should increase the pace of change. Future Best Value audits will seek evidence of progress in this regard.
- 1.3 CIPFA Property are acknowledged as experts in the field of public sector asset management with a very extensive portfolio of work for local authorities and for the Scottish Government. The Asset Management Project Board (AMPB) commissioned them to conduct a "Review of Asset Management Approaches within Highland Council"
- 1.4 CIPFA Property presented their key review findings and recommendations to the AMPB in February 2010. The final draft report was reviewed and agreed by the Board on 30th March 2010 when it was noted that the Director of Housing and Property, supported by the Asset Management Team (AMT) would develop an Action Plan.
- 1.5 This report therefore presents the key issues and seeks the approval of Resources Committee for an Action Framework based on CIPFA's recommendations.
- 1.6 The CIPFA report sets out a challenging programme for change and improvement expressed in
 - 17 Priority 1 recommendations for implementation within 6 months
 - 10 Priority 2 recommendations for implementation within 12 months
 - 4 Priority 3 recommendations for implementation within 18 months

- 1.7 The report underlines the key point that asset management is a corporate activity and cannot be delivered effectively by property professionals alone. Addressing these recommendations will be a matter for the whole Council to take forward as a corporate priority and all Services will need to play their part in the improvement programme.
- 1.8 Throughout this report and action plan the word “assets” is used to mean property assets i.e. land and buildings only.

2 Current Asset Management Arrangements

- 2.1 CIPFA Property acknowledge as part of their review that *“the Council has made significant strides in asset management within the last two years”* and *“that asset management approaches have significantly improved and we would support the steps that the Council has already put in place”*.
- 2.2 There are however a number of deficits in our current arrangements which have been highlighted by the report. The most important of these are as follows:-
- Assets are considered to be owned by Services rather than by the Council as a corporate body. This can lead to duplication and inefficiency. It can impede the achievement of corporate objectives.
 - Effective asset management relies on good information but our data systems are incomplete and out of date. Asset registers in Property and Finance are not linked. The existing asset database is limited and fragile.
 - Maintenance spending is fragmented and maintenance budgets are not clearly linked to asset performance. (See **Appendix 1**)
- 2.3 Addressing these deficits effectively will be an essential component of achieving corporate improvement in asset management. The resulting benefits will be in reduced costs and in improvement in user-satisfaction levels which can be derived from occupying fewer assets, each of which performs to the standards required and supports effective service delivery.

3 Target Operating Model

- 3.1 We must be clear that our target operating model is one in which the make up of the Council's asset portfolio is a function of corporate strategy and corporate need. The information we hold on each asset must be reliable and must form the basis of planned investment to maintain, improve and reshape the portfolio.
- 3.2 The Target Operating Model proposed is as follows:
- 3.3 All of the property assets owned and/or occupied by the Council are considered to be corporate assets. Strategies, policies and key decisions are agreed by the Council's Resources Committee.
- 3.4 Members are fully engaged in the development of asset policy and the monitoring of performance against targets. Ward business meetings receive

regular reports on asset performance and costs such that local Members are able to influence asset rationalisation in their ward.

- 3.5 An Asset Management Board has responsibility for overseeing the development of strategy, setting targets and monitoring delivery of the asset management programme. This Board sits within the governance arrangements for the Corporate Improvement Programme.
- 3.6 The responsibility for managing assets is delegated to the Director of Housing and Property acting as the designated “Corporate Property Officer” (role description at **Appendix 2**).
- 3.7 The programme of work is delivered by an Asset Management Team, led by a Corporate Property Asset Manager. The team has a broad remit including elements of Estates Management and is structured to reinforce links with other property professionals engaged in capital works, property maintenance, sustainability and facilities management.
- 3.8 Service Directors engage with the Corporate Property Officer to define their current and future property needs. Each Service has nominated a Senior Manager to engage with the Asset Management Team in an “Informed Client” role.
- 3.9 The Councils Corporate Asset Strategy sets performance targets for its assets and the allocation of capital and revenue funds is managed corporately to reflect these targets and priorities.
- 3.10 An asset management information system holds relevant, accurate and current information about all assets and the system is integrated with other Council systems including finance and performance management systems. The information held on the system is accessible to all Council services and (with appropriate protection) is shared with the Council’s partners.
- 3.11 A forum exists to promote joint working on asset management by the Council and its partners. Asset portfolios are mapped to promote asset sharing and joined up working between organisations.
- 3.12 Joint working between organisations is sufficiently mature to support the sharing of human and financial resources where facilities are jointly occupied.
- 3.13 There is clear alignment between the Asset Management strategy and the Carbon Reduction strategy.
- 3.14 There is clear integration of the Asset Management strategy with the other Corporate Improvement projects particularly Mobile & Flexible Working, Information Management and Customer Engagement.

4 Phased Implementation of the Target Operating Model

- 4.1 It is recognised that implementation of the target operating model will involve significant change for the Council, both in terms of culture and practice. The proposal therefore is to move towards that goal in 4 phases.

Phase 1	Gain approval of CIPB and Resources Committee Adopt the principles of the Target Operating Model	August 2010
	Develop enhanced role and remit of AMPB	Sept 2010
Phase 2	Appoint a Corporate Property Asset Manager and transfer / redeploy staff to AMT Define roles and responsibilities of all AMT members	December 2010
	Procure an effective IT database	March 2011
Phase 3	Complete Service Asset Management Plans Central allocation and targeting of budgets Corporate performance targets for assets	April 2011
Phase 4	Full implementation of Target Operating Model	December 2011

5 Action Plan

- 5.1 A framework to address each of the 31 CIPFA recommendations is set out at **Appendix 3**. This will become a significant part of the agenda for the AMPB and the AMT. This paper seeks to establish firm foundations for the changes and to confirm the support of Members in Phase 1.
- 5.2 The pros and cons of the key move to corporate ownership of property are set out in **Appendix 4**.

The key issues are considered to be as follows

5.3 Clarity of Objectives

- 5.3.1 The financial challenges which face the Council mean that it will be essential to sweat our property assets and to reduce and reshape our property portfolio to an affordable level. It will be clear that the achievement of this result will involve challenges to existing culture and practice.
- 5.3.2 A new Corporate Property Strategy will be developed for approval by Resources Committee to clearly express the principles and objectives set out in this paper. It will tie together the work of the AMPB, the allocation of capital and revenue budgets, the “client” role of Services and it will seek to align the Council’s property strategy with those of our partners.
- 5.3.3 The Corporate Property Strategy will frame all of the decisions of the AMPB and should ensure that potential challenges can be addressed with clarity of purpose. The Scheme of Delegation should be reviewed to consider extending the authority of the Corporate Property Officer and the AMPB to streamline the process of allocating and disposing of property assets.

5.3.4 The strategy will clarify the role of the AMPB in relation to Common Good Fund assets.

5.4 Commitment and Engagement

5.4.1 Adoption of the corporate ownership model for property will change the relationship of Services with the assets they occupy. Services will need to adapt to a client role and to accept that the achievement of corporate objectives will take precedence in asset decisions. This change will require top level support and commitment to help staff understand the rationale for change. The client role will need further discussion and clarification – it should encompass the continuing role of “Responsible Premises Officers” (RPOs) in day to day management of premises and update the guidance related to that role.

5.4.2 Each Service will nominate a senior manager to act as their link with the AMT. In some cases this manager could also be a member of the AMPB and this would be the preferred arrangement.

5.4.3 Experience over the last year has demonstrated that many asset management issues have a legal aspect, often in relation to title restrictions and leases. It will be important to ensure that the Council’s legal team and advisers are fully engaged in supporting the AMPB to address these issues.

5.5 Resourcing

5.5.1 The current asset management team comprises two professional surveyors and one technician. The team also benefits from the support of an IT professional shared with the Business support function. The budget for this team for 2010/11 is £150k which includes an allowance for specialist investigations and support.

5.5.2 CIPFA Property has recommended that *“the council should recruit a minimum of 2 additional staff into the strategic asset management section at a professional level.”* In addition they recommended that *“the council should consider moving key service representatives (4-5 FTEs) for property from their existing service positions into a more corporate coordination role ensuring that service needs are translated into strategic direction.”* The report notes that a recent CIPFA survey of 126 authorities across the UK identified that *“the average staff numbers for the equivalent strategic asset management section was 7 FTEs across all types of authority and 11 FTEs for larger county authorities, which in property terms are probably closest to Highland.”*

5.5.3 These recommendations reflect the scale of the asset management agenda for Highland Council and will need to be considered in the context of the current financial outlook for the public sector. Enhancing the staffing resources of the AMT can be addressed by transferring people from a number of existing asset-related posts within the Council at no additional cost. Where specific cash releasing savings can be accelerated by recruiting or redeploying additional staff (at additional cost), then such investment should only be considered on the basis of an “invest to save” business case.

5.5.4 Both asset management and the Council's Capital programme will determine the future shape of the Council's asset portfolio. It will be important to ensure that the planning and procedures of both functions are aligned.

5.6 Structure

5.6.1 At present both of the surveyors in the AMT report directly to the Director of Housing and Property. It is proposed through reorganisation to establish a new post of Corporate Property Asset Manager to lead an expanded AMT in future. Detailed proposals on the establishment and funding of this post will be presented to a future Committee for approval.

5.6.2 There is also the opportunity here to strengthen the links with other functions including:-

- the AMT
- the Estates surveyors currently reporting to the Head of Housing Development and Estates and
- the Sustainability team currently reporting to the Head of Construction

5.6.3 The Council is already working with some of its public sector partners to explore opportunities to share premises. More work needs to be done and the outcomes can potentially reduce costs and facilitate joint working.

5.7 Performance Management

5.7.1 As we move through the implementation phases of these proposals it will be vital to define and clarify performance targets for the property asset portfolio based on:-

- compliance with statutory standards
- physical condition
- suitability
- space utilisation
- costs in use
- CO2 emissions

5.7.2 CIPFA Property have emphasised that reduction of the backlog maintenance burden must be a key target for the Council. Regular reporting of this to Members will help to focus attention on the need for investment.

5.7.3 Setting targets and monitoring performance will require confidence in the data and this reinforces the urgent need to procure a new asset management information system and to integrate this with finance systems. It is important to note that the maintenance of accurate and up-to-date data in the system is mission critical and this will require to be resourced.

5.8 Government Policy and Targets

5.8.1 The way ahead for the Council on asset management must be developed within the framework of government policy and targets. Indications are that this will become an area of increased focus at a national level as the government

takes steps to reduce the deficit. It is not possible to predict the detail of policy development but the likely direction of that policy is clear. Current initiatives include the “Total Place Initiative” being promoted in England and CIPFA’s enthusiasm for the development of “Area Asset Management Plans” both of which are aligned with the shared services agenda.

6. Implications for the Council

- 6.1 There are clearly resource implications here including the potential to generate capital receipts from surplus assets, the potential to obtain best value from and/or reduce the revenue costs of holding assets and the potential to reduce the backlog maintenance burden. This paper does not propose the commitment of additional staffing resources, rather it proposes that existing staffing resources should be redeployed to focus on asset management tasks .
- 6.2 The legal implications of this paper are limited to the title issues which are specific to each asset and lease.
- 6.3 There are no climate change or equalities impact implications.
- 6.4 The Action Framework set out in this paper is designed to mitigate the asset management risks facing the Council by rationalising the number of property assets held and improving their compliance status.

7. Recommendations

Members are asked to:

- 7.1 **Note** the findings and recommendations of the CIPFA Property review
- 7.2 **Agree** the Target Operating Model described in Section 3 of this report
- 7.3 **Approve** the Action Framework set out in Appendix 2 of this report
- 7.4 **Agree** that the Asset Management team should be enhanced by transferring and redeploying staff at no additional cost
- 7.5 **Agree** in principle to the establishment of a Corporate Property Asset Manager post to lead the team

Signature:

Designation: Director of Housing and Property

Date: 9 August 2010

Appendix 1

Analysis of Highland Council Spend on Repairs, Alteration and Maintenance of Buildings

Capital £000s

Service	06/07	07/08	08/09	09/10
Housing & Property*				
• SAM	2,451	1,973	3,160	3,176
• DDA	985	617	619	1,137
• Statutory Compliance	399	482	442	447
ECS				
Other Services	1,280	405	622	173
	31	3	33	9
Totals	5,146	3,480	4,876	4,942

Revenue £000s

Service	06/07	07/08	08/09	09/10
Housing & Property*	4,614	4,995	4,934	4,982
ECS	975	897	907	1,054
Other Services	556	718	719	673
Totals	6,145	6,610	6,560	6,709

**excludes HRA maintenance expenditure and energy efficiency projects*

Description of the role of “Corporate Property Officer”

- providing a focal point for a council wide approach to asset management;
- strategically managing the asset management processes and programmes to ensure best value and improve the effectiveness of the property estate;
- being responsible for the development corporate property policies and documentation relating to asset management and keeping these up to date;
- ensuring that consultation on asset management is undertaken with all relevant stakeholders and ensuring property is effectively aligned to current and future service delivery;
- working with other public bodies and partner organisations to encourage the shared use of assets where appropriate;
- ensuring that relevant information on assets is held corporately;
- being responsible for the development and management of a performance framework for asset management;

No	Recommendation	Target Operating Model Phase	Lead	Action
1	Develop high level “Property Strategy”	2	AMPB	Develop Property Strategy AMPB to approve Resources Committee to approve Guidance to be issued to Service Directors Communication plan to be developed
2	Establish a structured and resourced approach to working with Services leading to development of Service Asset Management Plans	3	AMPB	Develop SAMP guidance for Services AMPB to approve guidance Services to appoint Senior Manager as Service Asset Management Representative Provide support to Services in development of SAMPs AMPB to approve SAMPs (See also Section 18 below) Review and simplify the guidance for Service based RPOs
3	Coordinate all property budgets at corporate level and prioritise spend to address corporate	3	DoF/ CPO	To be developed ready for next financial year

	asset objectives			
4	Confirm Director of Housing and Property as "Corporate Property Officer"	1	Ch Exec	Confirm in paper to Resources Committee in August 2010
5	Widen remit and role of AMPB to provide a strategic forum for asset management, challenge and coordination. Consider amalgamating with CPOG in future	1 4	SMT	Confirm in paper to Resources Committee in August 2010
6	Recruit a minimum of 2 additional professional staff to AMT and identify key service representatives to move into a more corporate coordination role	2	CPO	Requires allocation or redeployment of resources and action by each Service Confirm in paper to Resources Committee in August 2010 Define AMT structure Define roles & responsibilities for AM Team Consult with Services, postholders and TUs affected by transfer Agree timetable with Services & individuals for transfer of internal posts/postholders to AMT Provide training/support for individuals transferred from other Services
7	Provide Member training	3	AMT	Agree scope of Member Training to be delivered Deliver Member training as one-off or series of presentations/workshops to an agreed programme/timetable

	Streamline process for declaring property surplus. Review Reports to Members			Seek approval at Resources Committee (Aug 2010) for revised procedures covering disposals at less than 'Best Value'. Develop & agree reporting format to Members
8	Continue to work towards understanding the true cost of owning and utilising property and set targets for performance and efficiency	3	AMPB	Set up workgroup with Asset Management, Estates & Finance Service to: i) Agree approach for understanding & identifying true cost of owning & utilising property ii) develop, and agree targets for measuring and reporting performance and efficiency
9	Review office accommodation and set against council's wider asset management priorities	4	AMPB	Business Cases for office rationalisations to be developed that demonstrate alignment with the Council's Corporate Aims and Objectives. AMPB to approve Resources Committee to approve (if outwith Scheme of Delegation)
10	Consider centralising the management of the non-operational property portfolio	2	CPO	Under review by Head of Housing Development and Estates
11	Carry out a full data audit	2	AMT Head of Internal Audit	Undertake full data audit of property information as part of & prior to the AMIS procurement and data migration.
12	Specify and procure a new property database linked to finance systems	2	AMPB	Progress specification and procurement; business case development & investment appraisal for new AMIS through project governance. Seek Member approval for procurement

				<p>Develop implementation Plan/Programme for installation and migration to new system</p> <p>Provide & deliver staff training through workshops, Employee Development, production of guidance manuals</p>
13	Provide an IFRS awareness seminar for Property staff	2	DoF	<p>Finance Service to deliver IFRS awareness training to property staff</p> <p>Workgroup to be set up between AMT, Estates & Finance to review & agree reclassification of property assets in line with IFRS</p>
14	Complete the condition survey, calculate the backlog maintenance costs and target expenditure to address them	2	AMT	<p>New condition survey methodology & programme to be rolled out (Q3 - 2010)</p> <p>Agree methodology with Property Maintenance for prioritising and targeting maintenance expenditure against need and Corporate priorities</p>
15	Confirm that capital receipts and revenue savings are retained by the Council as corporate funds.	1	Res Cttee	Confirm in paper to Resources Committee in August 2010
16	Review data on H&S performance and risks of all assets	2	HoC	<p>Undertake full data audit of H&S performance and risks of all property assets</p> <p>Agree an approach for prioritising and targeting property H&S risks against need and Corporate priorities</p> <p>Co-ordinate risks and priorities with Capital & Revenue Maintenance programmes</p>
17	Formalise option appraisal and	1	SMT	Confirm in paper for Capital Investment to Resources Committee in August

	whole life costing approach			2010. Develop approach and guidance for Services when undertaking Service property/accommodation reviews Provide support to Services in carrying out property/accommodation reviews AMPB to approve
18	Develop Service Asset Management Plans and weigh all SAMPs against the overall aims, objectives and property strategy of the Council such that a coherent corporate plan is developed	3	Director s AMPB	Develop SAMP guidance for Services Provide support to Services in development of SAMPs AMPB to approve SAMPs (See also Section 2 above)
19	Improve joint working with partners including joint mapping of property assets	4	AMT	Develop approach to joint mapping of property assets in conjunction with Strategic Partners AMPB to agree forum & remit for joint working with Partners
20	Complete the procedure for transfer of assets to communities and third sector.	2	AMT	Progress demonstration project (being led by Development Trust for Scotland) Seek opportunities for further asset transfers to communities and 3 rd sector.
21	Review all tenanted, non-residential property including evaluation of rate of return and future development potential.	3	CPO	Under review by Head of Housing Development and Estates
22	Introduce a change	2	AMPB	Develop Change Management System in conjunction with Finance as part

	management system to ensure consistency between property and finance data systems			of specification and procurement of new AMIS Nominate Finance Manager responsible for Fixed Asset Register to Project Board for new AMIS
23	Identify and benchmark the backlog maintenance costs and formally report performance in this area.	3	AMT	Confirm backlog maintenance costs for the Council's operational portfolio Benchmark backlog maintenance performance against other bodies Report to Resources Committee as part of regular Asset Management update to Members (See also section 14 above)
24	Complete DDA surveys and develop Access Plans for properties	2	HoC	Integrate DDA property & programme information within existing property database and new AMIS Develop methodology/approach for reviewing Access Plans & Access Audits Prepare & issue guidance to Services & Property staff
25	Establish a robust process to challenge Services need for property including use and retention of historic assets	3	AMPB	Develop process and guidance Provide training and support for Services AMPB to approve process and property rationalisation cases
26	Ensure property representation on all service and efficiency reviews	1	SMT	Confirm in policy statement
27	Ensure that Sustainability policies are translated into clear	3	AMPB	Energy & Sustainability Team to:

	property improvement targets			<p>i) Provide & deliver Energy & Sustainability awareness training to property staff</p> <p>ii) Agree clear property performance and improvement targets for Energy & Sustainability</p>
28	Develop an up-to-date Asset Management Plan	4	AMPB	<p>Develop an up to date Corporate Property Asset Management Plan to align the property portfolio with the Council's Corporate Aims & Objectives.</p> <p>(See also sections 2 & 18)</p>
29	Ensure complete dataset with computerised management system and performance measures	2	AMT	<p>Agree property dataset & resourcing approach for data collection, inputting and maintenance with AMPB</p> <p>(See also section 30 below)</p>
30	Develop a comprehensive property performance management framework and undertake benchmarking with similar organisations	3	AMT	<p>Develop a comprehensive property performance management framework.</p> <p>Agree PPMFramework with AMPB.</p> <p>(See also section 29 above)</p>
31	Establish a realistic capital receipt target	4	CIPB	<p>Develop & agree a realistic capital receipt target from property disposals</p>

Key

AMPB	Asset Management Project Board	Res Cttee	Resources Committee
DoF	Director of Finance	HoC	Head of Construction
CPO	Corporate Property Officer	CIPB	Corporate Improvement Programme Board
Ch Exec	Chief Executive	AMIS	Asset Management Information System
SMT	Senior Management Team	PPMF	Property Performance Management Framework
AMT	Asset Management Team	SAMPs	Service Asset Management Plans

Corporate/central ownership of property - Arguments for and against the Highland Council moving to this approach:

Pros	Cons	Risks of Moving to Corporate Ownership
<ul style="list-style-type: none"> ▪ Services become the occupiers of space, permitting them to concentrate on service delivery rather than property ownership matters ▪ One point of contact/enquiry ▪ Potentially more efficient decision making ▪ Could facilitate a move towards the charging of realistic asset rentals for space occupation, thus focusing Services' scrutiny of their occupation costs ▪ Would simplify the creation of a corporate vision for our property portfolio that cuts across services and can help identify 'anchor' locations for combined service delivery ▪ Easier to take objective stance in relation to capital bids involving creation/development of property proposals – more level playing field for all Services needs/bids ▪ Front-line land/property enquiries already directed through Area Property Surveyors ▪ Property rationalisation can be administered easier - less Service 	<ul style="list-style-type: none"> ▪ Resource implication for 'owning' body - requirement to adequately resource management of central property ownership and budgetary control ▪ 'Specialist' management of school estate would require to be maintained /incorporated ▪ Loss of power/influence by Services (particularly ring-fencing opportunities, albeit that this approach is no longer encouraged) ▪ Extensive input from Legal Services still required in relation to property ownership issues ▪ Property vision requires to be developed in line with anticipated Service delivery needs – still requires buy-in, communication and participation by Services ▪ Potential drop-off in Services' responsibility for 'owned' property in transition period ▪ Potential loss of local 'knowledge' and skills of Service staff currently dealing with property issues ▪ Less transparency perhaps (projects tabled to less committees), leading to 	<ul style="list-style-type: none"> ▪ Risk that Services have unrealistic expectations in terms of asset size and condition. ▪ Risk that Services will find it difficult to predict and define their future asset needs ▪ Risk that the pressures on Council finances mean that there is a lack of investment funding to achieve change ▪ Risk that decisions of corporate team will not be sensitive to Service needs

<p>influence on retention of underused/under-performing property</p> <ul style="list-style-type: none"> ▪ Opportunity to create a central 'pot' to facilitate potential disposal/rationalisation cases ▪ Greater control of capital and revenue budgets for property – improved flexibility for redirection of funds as necessary ▪ Easier to respond to short/medium term accommodation requirements by Services ▪ Potentially more straightforward to consider partnering opportunities with external agencies ▪ Better performance information due to central monitoring of running costs for our buildings ▪ Loss of property management requirement and property budgetary control by Services ▪ Would eliminate the existence of small property datasets held independently within Services ▪ Would support the development of expertise in promoting community ownership of assets 	<p>more audit and scrutiny of property proposals</p> <ul style="list-style-type: none"> ▪ Potentially problematic interim fix would be necessary whereby Services still have control of their own revenue budgets which covers property related expenses (this situation has occurred in other Councils) 	
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