

NORTH LINCOLNSHIRE COUNCIL

CORPORATE SERVICES CABINET MEMBER

ASSET MANAGEMENT UPDATE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To bring an update to the Cabinet Member of a number of issues relating to Strategic Asset Management in the council.
- 1.2 The key points in this report are as follows:
- The council has achieved a level 3 under the CAA 'Use of Resources' assessment within the two lines of enquiry for Asset Management.
 - A report has recently been published by the Audit Commission entitled "Room for Improvement". This tackles Asset Management within Local Government.
 - The Royal Institution of Chartered Surveyors has recently published seven booklets providing guidance on good practice for a number of areas within Asset Management.

2. BACKGROUND INFORMATION

2.1 Comprehensive Area Assessment

- 2.1.1 The key lines of enquiry within the 'Use of Resources' element of the Comprehensive Area Assessment (CAA) include Asset Management.
- 2.1.2 Despite the "bar being raised" considerably for this years assessment, compared to similar previous assessments under the former Comprehensive Performance Assessment (CPA), the council has retained its Level 3 for Asset Management. This means the council is considered as "Performing Well" in this area. The overall outcome of the council's Use of Resources assessment was judged as Level 2, or "Performing Adequately".
- 2.1.3 There were no significant issues raised by the Auditors in their CAA report in relation to Asset Management. In summary, they commented that:

"We found good management of the asset base to provide value for money and examples of asset rationalisation, and transfers to the

voluntary and charity sector improving VFM and outcomes to support the conclusion of performing well.”

2.2 ‘Room for Improvement’

- 2.2.1 The Audit Commission recently published a national report “**Room for Improvement – Strategic asset management in local government**”. The report reviews how councils manage their property estates. At 31 March 2008, English councils owned property valued in their accounts at £250 billion. The aim of the report is to help councils understand how a more strategic approach to asset management could secure better value for taxpayers’ money. The report is a very comprehensive document. A copy of the full report has been provided to the Cabinet Member. Appendix 1 contains the ten conclusions and subsequent recommendations arising from the report.
- 2.2.2 Very recently the Audit Commission has published a summary version of the report especially for elected members. A copy of this booklet has been made available to the Cabinet Member.
- 2.2.3 A summary of the key questions it is suggested elected members should raise in relation to Asset Management is set out in Appendix 2.
- 2.2.4 There are a number of areas where the council is performing well against these lines of enquiry. Guidance does however raise issues that will challenge us to achieve even higher levels of performance.
- 2.2.5 A number of areas are suggested as priorities for further action. In particular, these include areas where further work and support from elected members could prove essential to achieving an improved asset base to support future service delivery. These issues are highlighted in bold text in Appendix 2.

2.3 RICS Guidelines for Asset Management

- 2.3.1 The Royal Institution of Chartered Surveyors (RICS) has recently published seven “best practice” guidance booklets in relation to Asset Management. These are as follows:
- ◆ Sustainable communities and asset management
 - ◆ Improving the customer’s experience
 - ◆ Making the right choices
 - ◆ Measuring asset management performance for local authorities
 - ◆ Transfer of assets to community ownership and management
 - ◆ Tenanted non-residential property
 - ◆ Value for money
- 2.3.2 Professional officers in Asset Management and Culture intend reviewing the new guidance and prioritising areas for action to help us develop good practice within the service.

3. **OPTIONS FOR CONSIDERATION**

3.1 There are in essence three ways in which the council can respond to guidance from advisory bodies:

- Option 1: Ignore the guidance.
- Option 2: Prioritise the areas of guidance that make the most difference to council priorities and service delivery.
- Option 3: Attempt to implement the detail of all guidance.

4. **ANALYSIS OF OPTIONS**

4.1 Option 1 - ignoring all guidance would clearly prove unhelpful. The council would fail to move the Asset Management agenda forward in line with emerging good practice.

4.2 Option 2 - allows us to channel resources effectively to priority areas.

4.3 Option 3 - could prove resource intensive and potentially could undermine day to day service delivery unless there was major financial investment in the service.

5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 Financial

There are no financial implications if option 2 is selected.

5.2 Staffing

None

5.3 Property & IT

Implementing good practice will in the long term have a beneficial affect on the council's property portfolio.

6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

6.1 Statutory

There are no direct statutory implications from this guidance. However, implementing good practice will feed into the CAA and other audit based inspections in the future.

6.2 Environmental

Some of the good practice recommendations if implemented will have favourable environmental benefits.

6.3 Other

None.

7. OUTCOMES OF CONSULTATION

7.1 The guidance papers were the subject of extensive consultation with professional groups and Local Authorities.

8. RECOMMENDATIONS

8.1 That officers move forward with prioritised work to drive service improvement in relation to Strategic Asset Management, making use of the new guidance, as at Option 2 of the report.

8.2 That the Cabinet Member considers further the challenges raised within the "Room for Improvement" document and consider further how he wishes to be involved in this agenda.

8.3 That training on Asset Management issues, including the Room for Improvement document, is included in future Member Development sessions.

8.4 That further updates are presented to the Cabinet Member in the future to assess progress toward improving Strategic Asset Management across the council.

SERVICE DIRECTOR ASSET MANAGEMENT AND CULTURE

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Background Papers used in the preparation of this report:

- ◆ Audit Commission National Report "Room for Improvement – Strategic asset management in local government", published in June 2009
- ◆ RICS "Local Authority Asset Management Best Practice" booklets available at www.publicsectorassetmanagement.com

ROOM FOR IMPROVEMENT – CONCLUSIONS & RECOMMENDATIONS

1. CONCLUSIONS

- Because the local government estate consumes capital and is expensive to maintain, councils must use this resource well to provide better value for money for residents, service users and tax payers. That means seeking savings from the estate as well as using it creatively and collaboratively to achieve local objectives.
- In 1998, the Audit Commission said councils should manage property on a planned and comprehensive basis, and we reiterated this message in *Hot Property* (Ref. 2) in 2000. It is now accepted that offices and other buildings should be treated as an essential component in delivering services and in improving the environment, community and economy.
- But councils' progress has been modest, far from uniform and needs to accelerate. They have brought property management into the corporate centre and adopted asset management plans, but have often failed to realise the full benefits of a strategic approach to property.
- The government has urged councils to cut the size of the estate and release capital by identifying and selling underused or surplus properties, and to use office space more efficiently. But, overall, the value of the estate has continued to increase. This is partly because, until recently, the property market and the general economy were buoyant. The imperative to save by rationalising holdings was weak and the opportunity to improve the estate provided by new capital rules was attractive. Government policies have neither motivated nor compelled councils to seek savings.
- Even so, most councils have disposed of some property assets, and some have made significant net financial gains, but the majority have chosen to reinvest the proceeds and more in an improved estate. Disappointingly, few can demonstrate financial or non-financial benefits from their investments in their assets.
- Councils are willing to consider transferring property to community groups, following the Quirk Review, but the volume and value of buildings transferred have been limited and community transfer seems unlikely to affect the local government estate to any great extent. The capacity of the voluntary and community sector to assume responsibility for managing assets is questionable, and councils are concerned about the probity of sale at less than full market value. Councils have adopted a cautious approach, preferring to keep ultimate ownership.
- LAAs and LSPs have failed to make an impact on cross-sector management and utilisation of property. This is because the issue is not high on the LSP agenda, a fact reflected in the absence of LAA targets for use of buildings and land.
- The recession and the diminishing pool of assets available for sale will make it harder for councils to maintain the level of receipts seen over recent years, but it will, at the same time, increase the pressure on them to do so. Councils and the government need to consider what the best use of property assets in more difficult economic circumstances is: should councils spend or save?

- Few councils are well equipped to make those judgements, principally because they do not have all the information they need. Building the right information base for making decisions will equip them well to survive the recession and to exploit the opportunities it might present, and help them position themselves to take advantage of recovery.
- This report illustrates what can be done and has been done by forward-thinking councils as well as reporting the overall position. The Commission will provide materials to help councils improve their performance. CAA will assess how well councils and other public bodies deal with property against a more demanding standard. As an assessor, and by providing tools of practical use, the Commission will play its part in improving the value councils secure from their assets.

2. RECOMMENDATIONS

What councils should do:

- improve their knowledge of their estates and their partners' estates by:
 - collecting data on size, use, occupancy, condition, running costs and having an eye to the open market value (at realistic alternative uses);
 - ensuring that asset management plans include quantification of the potential costs and benefits of proposals;
 - sharing this information with other local bodies providing public services; and
 - publishing maps or details of the properties held by the public sector in local areas, and inviting proposals for alternative use of them.
- identify areas for improvement and other councils to learn from by:
 - collecting data to populate the corporate value-for-money indicators developed by the Audit Commission, National Audit Office, Wales Audit Office, Audit Scotland and the Northern Ireland Audit Office and participating in their benchmarking services; and
 - participating in other benchmarking networks, such as those offered by CIPFA Property.
- review property holdings and reduce them where possible by:
 - identifying and disposing of surplus or under-utilised property;
 - reconfiguring services and administration so that they occupy less space; and
 - considering tenure other than ownership – such as lease, rent or lease-back – where that gives demonstrably better value.
- motivate service managers who occupy property to use it economically, for example, by:
 - implementing capital charging arrangements that make them accountable for the cost of the capital they use; and
 - allowing them to keep a proportion of any sales proceeds.
- develop the capacity needed to bring about change by:
 - recruiting appropriately skilled staff on permanent or temporary contracts;
 - considering how to improve motivation for service managers who occupy property to use it economically;
 - commissioning reviews from property professionals in the private sector; and
 - making the best use of the support available from 4Ps and the Beacon councils as well as from the private sector.

- collaborate with local partners by:
 - raising the profile of property on the local strategic partnership (LSP) agenda;
 - sharing the existing estate with partners where beneficial; and
 - sharing property data among partners.
- seek opportunities presented by the recession such as:
 - acquiring property at reduced prices to satisfy future need; and
 - employing high calibre staff newly in the employment market.

What central government should do:

- clarify what it expects councils to do with their property during recession and public spending constraint, following the publication of the Carter report for the Operational Efficiency Programme [Ref. 28]; specifically how councils should balance the apparently conflicting priorities to:
 - maximise receipts from disposal of assets; or
 - enhance the estate to deliver better services.
- raise the profile of asset management, for example by:
 - making capital and revenue targets more specific; and
 - referring to asset management, for example, where local area agreements (LAAs) are reviewed or renegotiated.
- make councils accountable for the cost of the capital they have tied up in property, giving them incentives to make better use of the money.
- review the rules governing what can be capitalised and how capital receipts can be used, to allow councils more flexibility. This would still be in line with the overall government objective of using capital receipts for investment purposes, and could, for example, enable councils to:
 - fund option appraisals to assess the potential for rationalisation, asset sharing or spend-to-save projects; and
 - support the revenue costs of capital projects designed to improve public services or support regeneration or economic development.

What the Audit Commission will do:

- publish detailed case studies of excellent asset management;
- support councillors in scrutinising how councils are managing assets;
- assess councils' stewardship of property through Use of Resources assessments;
- continue to develop benchmarking services with other audit agencies; and
- publish guidance and good practice examples on the Improvement Network website.

ROOM FOR IMPROVEMENT – MEMBERS BRIEFING DOCUMENT SUMMARY OF RECOMMENDATIONS

HOW DO LAND AND BUILDINGS HELP TO ACHIEVE YOUR COUNCIL'S STRATEGIC AND COMMUNITY PRIORITIES?

Do you know:

- how your council decided the priorities for its property?
- The information it took into account when deciding those priorities?.
- what property your council needs to deliver its strategic priorities, service needs, and intended outcomes?.
- how your land and buildings help to achieve the council's priorities?.
- whether your council's priority is to sell its property, obtain efficiency savings from property, or to invest in it to achieve other benefits? .
- who is responsible in the cabinet and senior management team for managing your council's property?.
- whether your council has the capacity and skills to manage its property well?

HOW MUCH DO YOU KNOW ABOUT YOUR COUNCIL'S LAND AND BUILDINGS?

Do you know:.

- what property your council owns, rents and leases?.
- who manages the property your council rents and leases, and the conditions attached to the leases?.
- ***if your council ever reviews why it should own its land and buildings?.***
- what condition the property is in?.
- how many staff and service users use council land and buildings?.
- whether the property is in the right locations to meet your council's needs?.
- ***the size of your council's maintenance backlog; namely, how much the council needs to spend to bring all its property up to an acceptable level?.***
- ***how often reviews of each piece of land and property are carried out?.***
- ***what these reviews cover?.***
- ***whether your council benchmarks and compares property management performance against other councils, and if so,***
- ***how your council compares with others in these areas?***

HOW DOES YOUR COUNCIL TAKE DECISIONS ABOUT LAND AND BUILDINGS?

Do you know:.

- who takes decisions in your council about property?.
- how often cabinet, committee or council discuss property?.
- ***what data and information they use to inform decisions about property?.***
- ***whether they consider the satisfaction of service users and employees?.***
- ***how your council monitors the performance of its property management?.***
- ***what information and guidance officers provide for members so that they can take informed decisions?***

HOW DOES YOUR COUNCIL SCRUTINISE DECISIONS ABOUT LAND AND BUILDINGS?

Do you know:.

- how often members scrutinise property decisions? .
- which property decisions have been scrutinised?.
- how far member scrutiny of property management is supported by experts?.
- ***the process for challenging whether council property is needed?***.
- how often scrutiny covers questions on whether to own, rent or lease a particular building?.
- any outcomes of this scrutiny?

HOW GOOD IS YOUR COUNCIL'S ASSET MANAGEMENT PLAN?

Do you know:.

- if your council's asset management plan is up to date?.
- what information the asset management plan contains?.
- how it is produced and reviewed, how often, and by whom?.
- whether it shows how well your council's property helps to achieve corporate and service objectives?.
- how well it allows your council to measure the contribution of its property to improving its financial and service performance?

HOW DOES YOUR COUNCIL ACHIEVE SAVINGS FROM USING LAND AND BUILDINGS MORE EFFICIENTLY?

Do you know:.

- if your council has recently rationalised its property? .
- how much surplus property your council has, and how it was identified?.
- ***whether council services could be delivered to the same or better quality from a smaller number of properties?***.
- how your staff can work more efficiently from a smaller number of properties?.
- how much resource could be freed for other purposes if more property was leased or rented, rather than owned?

HOW DOES YOUR COUNCIL WORK WITH OTHERS TO MANAGE ITS PROPERTY EFFECTIVELY AND EFFICIENTLY?

Do you know:.

- if your local strategic partnership manages property as a shared resource to meet community needs? .
- the barriers that prevent more sharing of property between local partners?.
- the property your public sector partners own in your area?.
- how your council assesses the costs and benefits of transferring property to the third sector?.
- whether your staff can direct the public to the right location, whether your own or your partners'?

HOW HAS YOUR COUNCIL REASSESSED ITS APPROACH TO ITS PROPERTY FOLLOWING THE ECONOMIC DOWNTURN?

Do you know:.

- if your council's asset management plan has been revised in the light of the downturn in property prices?.
- what opportunities there are for your council to purchase property more cheaply?.
- if your council has taken advantage of the recession to obtain property expertise or services more cheaply? .
- how your council is using its property to stimulate the local economy?

HOW MUCH DO THE PUBLIC AND SERVICE USERS KNOW ABOUT HOW YOUR COUNCIL MANAGES ITS LAND AND BUILDINGS?

Do you know:

- how much the public knows about the land and buildings your council occupies?.
- how much the public is engaged or consulted about large-scale capital projects?.
- how the financial consequences of property decisions for your council's budgets and council tax are communicated to the public?.
- whether decisions are explained to voters in an open and transparent way?