



**York Consulting**

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**OFFICE OF THE DEPUTY PRIME MINISTER  
CORPORATE CAPITAL STRATEGIES AND  
ASSET MANAGEMENT PLANS**

**CASE STUDY No 12  
DRAFT ROUND 2 REPORT**

**July 2003**

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## Contents

	<u>Page</u>
<u>1</u> <u>INTRODUCTION</u> .....	1
<u>2</u> <u>ROUND 2 ASSESSMENT PROCESS</u> .....	8
<u>3</u> <u>PROGRESS SINCE THE ROUND 1 REVIEW</u> .....	11
<u>4</u> <u>LOCAL AUTHORITY PROCESSES</u> .....	14
<u>5</u> <u>PROCESS OUTPUTS</u> .....	26
<u>6</u> <u>KEY MESSAGES FOR THE EVALUATION</u> .....	27

## 1 INTRODUCTION

### Background

- 1.1 The case study authority is a non-metropolitan district council. This Round 2 report has been prepared on the basis of meetings held in March 2003 with the following officers and elected Members of the council:
- Chair of Finance and Management Committee;
  - Chief Executive;
  - Chief Finance Officer;
  - Corporate Property Officer (CPO);
  - Policy and Best Value Manager;
  - Technical Services Manager;
  - Facilities and Development Manager;
  - Community and Leisure Development Manager;
  - Environmental Health Manager;
  - Building Maintenance Manager.
- 1.2 We are grateful for the contributions to the case study process made by all those consulted. We have also reviewed the corporate capital strategy and asset management plan prepared for Round 2 of the Single Capital Pot.

## Round 1 Review

1.3 At the outset, it is important to highlight the key messages that emerged from the earlier Round 1 review of the authority, along with our summary assessment of these issues at the time of the Round 2 visit (some of which are discussed in more detail later):

- *“all of the key messages highlighted in the baseline report are still relevant. This reflects the fact that the focus of activity since the baseline visit has been on the Best Value review of asset management, which has been the vehicle for addressing these and other issues. In this context, we would highlight the continuing importance of the following issues:”*
  - **“revision of arrangements for property management” – this was still a ‘live’ issue at the time of the Round 2 visit, specifically in relation to whether Building Maintenance should be moved from Housing and, if so, whether it should become part of Technical Services or Economic Development (under the CPO);**
  - **“developing a strong corporate centre” – the council still has some distance to travel in ensuring that property (and other) issues are addressed in a corporate way at all levels in the organisation and it will take some time to change this situation;**
  - **“the integration of work related to the capital strategy and the asset management plan” – this is being achieved through the amalgamation of the Capital Programme Working Group (CPWG) and the Asset Management Plan Group (AMPG);**
  - **“the operation of the CPWG and the AMPG as more truly corporate groups” – although it is still early days in the operation of the amalgamated CPWG/AMPG, there are clear indications that it is starting to operate more effectively as a truly corporate group;**
  - **“the important ongoing role for the AMPG in supporting the leading role of the CPO” – this remains a key responsibility of the combined CPWG/AMPG;**

- *“the key challenge of moving from planning to doing” – this remains the key challenge;*
- *“the council will need to bridge the current “gulf” between strategic thinking/decision-making and operational issues if it is to make significant progress in implementing a more corporate and strategic approach to the management of its assets” – we are no longer of the view that the limited property management responsibilities of the CPO means that there is a gulf between strategic thinking and decision-making and operational issues. The key issue is that the property management activities of the authority are driven by the asset management plan and analysis of the corporate property database, with the work of the CPO and operational property staff being integrated through the CPWG/AMPG and other working arrangements;*
- *“we have identified the following four barriers to change, which will need to be addressed if the pace of change in relation to asset management planning is to be increased, relating to the early development of corporate working, the absence of a corporate property team, the ‘isolated’ position of the CPO, and the shortage of resources” – we consider that the continued development of corporate working and the shortage of resources are still potential barriers but, as we discuss below, we no longer regard the absence of a corporate property team or the position of the CPO in the same way.*

## Evaluation Framework

- 1.4 As part of the national evaluation of the development and implementation of corporate capital strategies and asset management plans by local authorities, we have developed an evaluation framework. This was outlined in the First Interim Report (dated January 2003) and will be developed further in the forthcoming Second Interim Report.

1.5 The evaluation framework comprises the following five broad elements:

#### **Drivers of Change**

- **External:**
  - Single Capital Pot;
  - Best Value;
  - Education, housing and transport asset management initiatives;
  - Comprehensive Performance Assessment;
  - Prudential capital finance regime;
  - External audit;
- **Internal:**
  - Maintenance backlog;
  - Internal management reviews.

#### **Contextual Factors**

- **External:**
  - Local Government Review;
  - Construction industry capacity;
- **Internal:**
  - Debt-free status;
  - Historic approach to property management;
  - Shortage of capital funding;
  - Corporate working, capacity and culture;
  - Size of authority.

#### **Local Authority Processes**

16 processes have been identified, which we consider all authorities should be implementing. These are discussed in Section 4.

### Process Outputs

10 process outputs have been identified thus far, and those relevant to this authority are discussed in Section 5.

### Process Outcomes

Three process outcomes have been identified to date and these will be explored in more detail later in the evaluation (we do not comment on them further in this Round 2 report):

- local authorities make more effective and efficient use of capital resources (such as capital projects delivered to time, budget and specification);
- local authorities make more effective and efficient use of property assets;
- local authorities improve service delivery.

1.6 Below we comment briefly on the internal drivers of change and contextual factors in relation to this case study authority.

### Drivers of Change

- Maintenance backlog –the authority has a maintenance backlog of around £135,720, compared to a total value of property assets (excluding housing) of around £19 million. The housing stock, which represents the authority's largest capital asset, is generally in a good state of repair and it is the potential capital receipt and problems with housing management, rather than any maintenance backlog, that is driving the council to consider a Large Scale Voluntary Transfer or an Arms Length Management Organisation. There are some maintenance issues in relation to leisure facilities such as sports pavilions and play areas. Consequently, we do not see the maintenance backlog as having been a significant driver of change, although addressing those areas where there is an issue will assist in taking forward the asset management initiative;

- Internal management reviews – the Best Value review of asset management planning has been a key vehicle for defining and taking forward the authority's strategy on property issues. The "external" pressure provided by the review framework has been important in ensuring that the key players were involved and that the work programme was carried out;

### **Contextual Factors**

- Debt-free status – this is not an issue for this authority;
- Historic approach to property management – the principal responsibility for property management is split between:
  - Economic Development: the commercial/industrial portfolio, general land and property enquiries, valuation advice and asset management planning. Recently, the CPO and the Estates Officer have become more involved in the operational letting of leisure properties (such as village halls) and lettings of housing properties;
  - Technical Services: includes Facilities and Development, which is responsible for parks and play areas, car parks, leisure centres, the market, the Town Hall and public open space, and Direct Services, which is responsible for public toilets, the bus station and bus shelters. The authority is moving towards ending the split between client and contractor;
  - Building Maintenance (part of Housing): maintenance of most council property and management of the Civic Offices and the depot;
  - Community and Leisure Development: client side responsibilities in relation to leisure facilities, village halls and public open spaces;
- Shortage of capital funding – outside of Housing, the authority has only limited resources available to fund capital expenditure. This underlines the importance of partnership working in the context of issues such as regeneration;



- Corporate working, capacity and culture – although it is a small authority, the council does not have a strong track record of corporate working and a corporate culture. This is reflected in the fact that it only prepared its first Corporate Plan, based on individual service plans, in 2002. As noted earlier, the council still has some distance to travel in ensuring that property (and other) issues are addressed in a corporate way at all levels in the organisation and faces capacity problems at a corporate level in responding to a wide range of initiatives;
- Size of authority – the authority has a population of 82,000 and, apart from the housing stock, very few significant property assets. The principal properties are the Civic Offices, two leisure centres and an industrial estate. The limited scale of its capital programme and property portfolio influences the appropriate response of the authority to the corporate capital strategy and asset management planning agenda. The authority considers that proportionality issues were still not addressed satisfactorily in the Round 2 assessment process.

## Structure of the Report

1.7 In the following sections of this Round 2 report we discuss:

- Round 2 Assessment Process (**Section 2**);
- Progress since the Round 1 Review(**Section 3**);
- Local Authority Processes (**Section 4**);
- Process Outputs (**Section 5**);
- Key Messages for the Evaluation (**Section 6**).

## 2 ROUND 2 ASSESSMENT PROCESS

### Introduction

- 2.1 The authority received a “good” assessment from the Government Office for its Round 2 corporate capital strategy and a “satisfactory” for its asset management plan. As a result, the authority will have to submit an asset management plan document to the Government Office in Round 3.

### Capital Strategy

- 2.2 The authority’s Round 2 capital strategy was assessed as having met all of the primary criteria and all but the following three secondary criteria in relation to:

- **General Content:**
  - *“The Strategy outline’s the council’s approach to PPP/PFI and to other alternative capital funding”;*
- **Performance Measurement and Monitoring:**
  - *“there is evidence that the results of performance measurement and benchmarking are being used to seek service improvements and target service delivery”;*
  - *“There is a corporately agreed 3 year strategy explaining the council’s approach regarding the effective management, measurement and monitoring of the council’s capital programme”.*

## Asset Management Plan

2.3 The authority's Round 2 asset management plan was assessed as having met all of the primary criteria and all but the following eight secondary criteria:

- **Organisational Arrangements for Corporate Asset Management:**
  - *“A cabinet member (or lead committee member) holds responsibilities for the authority's property resource on behalf of the council”;*
- **Data Management:**
  - *“CPO has implemented Unique Property Reference number (UPRN) system or set out detailed reasons why any alternative property referencing approach is considered more appropriate”;*
  - *“CPO has developed an approach for the centralised co-ordination of property management information and its integration with relevant council financial information”;*
- **Performance Management, Monitoring and Information:**
  - *“Clear evidence that performance measurement feeds into a process of continuous improvement”;*
  - *“Local Performance Indicators are in place and being used for measuring and monitoring the amount of surplus property and space utilisation”;*
- **Programme and Plan Development and Implementation:**
  - *“The AMP demonstrates that the Council has undertaken a thorough investigation and analysis of the gaps between future requirements and the current provision and performance of the authority's present property assets”;*
  - *“The Council has identified and appraised options for closing the gaps”;*
  - *“The AMP outlines the Council's approved 3-5 year strategic action plan based on this analysis”.*

## Conclusions

- 2.4 Therefore, in common with many other authorities, the key areas for improvement highlighted by the Government Office during the Round 2 assessment process related to performance measurement, management and monitoring and, in the context of the asset management plan, programme and plan development and implementation.

### 3 PROGRESS SINCE THE ROUND 1 REVIEW

#### Introduction

- 3.1 In this Section, we outline the key areas where the authority has made progress in relation to development and implementation of a more strategic and corporate approach to the capital programme and the management of property assets since the Round 1 review, and discuss the outstanding barriers to change.

#### Areas of Progress

- 3.2 The authority has made progress in the following four areas since the Round 1 review:
- **Amalgamation of Corporate Groups** – following the recommendations made in the Round 1 review report, the council took the decision to amalgamate the Capital Programme Working Group and the Asset Management Plan Group in order to integrate more effectively work on the corporate capital strategy and the asset management plan. Our consultations suggest that, although it is still too early to reach a definite conclusion, the new arrangements are working well, members of the new Asset Management and Monitoring Group (AMMG) are more engaged, and asset management issues are being addressed in a wider context rather than just the preparation of the Plan document. We understand, for example, that there has already been a lively debate at AMMG on the issue of property performance indicators (pPIs) and the organisation of property management. The meetings of AMMG are arranged to link in with the committee cycle;
  - **Completion of the Best Value Review** – a 31-point improvement plan has been agreed based on the Best Value review of asset management planning covering the following eight key issues:
    - corporate property strategy;
    - the council's in-house management arrangements;
    - method of provision of asset management;
    - member involvement in asset management issues;
    - the repairs and maintenance service;

- centralisation of asset data;
  - the Civic Offices;
  - performance management data and information;
- **Elected Member Responsibility for Property Issues** – as noted in Section 2, one of the points emerging from the Round 2 assessment was that the authority did not have sufficiently clear arrangements in place in relation to elected Member responsibility for property issues. Whilst the position had not formally changed at the time of the case study visit, informally the Chair of the Finance and Management Committee was now recognised as taking the lead on asset management planning and he had been invited to attend meetings of AMMG. If, as expected, this lead role is confirmed formally, the Finance and Management Committee will see all reports involving asset issues, whilst the other committees will focus on service issues. In practice, this would not represent a radical change. It is hoped that having one elected Member responsible for property issues will assist with the briefing of other councillors and raise the profile of asset management in the authority. In addition, there is a proposal that all committee reports should include a section on the implications for assets;
  - **Rationalisation of Asset Holdings** – one of the authority's industrial estates included a management building, which was intended to provide business support for tenants and was the location for Business Link. Over the past year, the council has transferred ownership of the building to the Chamber of Commerce at nil cost (with a clawback provision), along with the revenue liabilities (thus saving the cost of one member of staff). This change reflects the ethos of asset management, although the extent to which it reflected the corporate process per se is not clear. The council has also disposed of some public toilets (some to parish councils, one to a community group and one to be converted to a community police headquarters). Elected Members deferred a decision on a proposal, which was linked to the corporate asset management planning process, to dispose of some shops until a town centre scheme on which to spend the capital receipt had been identified. There is still concern amongst some elected Members regarding the sale of assets, although the potential to generate significant capital receipts that can be used for regeneration schemes can influence the perceptions of councillors about asset management.