

Forest Heath District Council

(This report is a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Portfolio Holder for Resources, Governance and Performance

CABINET

15 JANUARY 2013

CAB13/058

ASSET MANAGEMENT PLAN 2013/2014 TO 2017/2018 (Key Decision Reference: SEP12/04)

1. Summary and reasons for recommendation(s)

- 1.1 Asset management planning is about taking a high level, strategic approach to ensure that service requirements are met through the property assets available to the Council.
- 1.2 Property is one of the biggest business costs of any organisation. Effective asset management can achieve savings, improve property usage and improve customer services.
- 1.3 The Appendix to this report outlines current national asset management guidance, identifies the strategic property challenges facing the Council and sets down a practical approach to moving forward, particularly over the next two years. It also outlines the processes and matters to consider in undertaking asset management reviews and proposes priority lists of currently funded and non-funded projects for implementation.
- 1.4 The report suggests a way forward for the Council to manage effectively the identified challenges of maintenance and efficient use of its assets and proposes a method of resourcing maintenance through a flexible Planned Maintenance Programme.

2. Recommendation(s)

2.1 The recommendations are:

- 1. Adopt the Asset Management Plan (AMP) as set out in Appendix 1 and associated annexes, which will include provisions for asset reviews, processes and programmes;**
- 2. Agree priority projects, lead Portfolio holders, lead officers and target dates, as set down in the Approved Property Projects and Additional Unfunded Property Projects at Annex 3A and 3B;**
- 3. Approve the financing of the Planned Maintenance Programme as set out in Annex 2 (1b) and paragraphs 8.1-8.5 of this report;**

4. Delegate authority to the Head of Waste Management and Property Services to deliver the AMP, through the West Suffolk Property Services team and within the overall revenue and capital budget provisions outlined within the plan; with the ability to vire within budgets, without being subject to the limits set out in the Council's constitution for budget virements; and.

5. Approve an Asset Management Plan Reserve for any unspent maintenance budgets at year end as discussed in paragraph 8.8 of this report.

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3. How will the recommendations help us meet our strategic priorities?

3.1 The adoption of an Asset Management Plan will raise corporate standards and efficiency and will support the strategic priority of working together for an efficient council and working together for prosperous and environmentally-responsible communities

4. Key issues

4.1 Asset management planning

4.1.1 Asset management planning is about taking a high level, strategic approach to ensure that service requirements are met through the property assets available to the Council. This is a customer-focused approach.

4.1.2 Current national thinking is concentrated on co-operation and collaboration between public sector organisations, and transparency of property information to allow customers and community groups to challenge locally how the Council runs its business.

4.1.3 Property is one of the biggest business costs of any organisation and those costs must be carefully managed and controlled. Effective asset management can achieve savings, improve property usage and improve customer services.

4.2 Purposes of this report

4.2.1 The main thrusts of this report are:

- To identify the strategic challenges facing the Council and to set down a practical approach to moving forward, particularly over the next two years:
- How to deal with the maintenance of the property portfolio;
- How to ensure that all property assets are used to deliver Council services and priorities;
- How to ensure that all assets are used efficiently and effectively by updating and implementing adopted Asset Management Plan (AMP) review and option appraisal processes;
- Proposing priority lists of currently funded (Annex 3A) and non-funded (Annex 3B) projects for implementation;
- Proposing a method of resourcing maintenance through a flexible Planned Maintenance Programme which is managed by the West Suffolk Property Services team.

4.3 The property portfolio and challenges

4.3.1 The property portfolio contains around 250 land and building assets, which have a total asset value of around £48 million. The assets for which the Council has maintenance liabilities total almost £43 million.

4.3.2 Surveys of most of the Council's property assets have been completed. It is apparent that past and present expenditure on repairs and maintenance has not been, and is not now, fully funded. If the current portfolio is to be maintained, total budgetary requirement of around £8 million needs to be set aside over the next 5 years. A more strategic approach is needed to take the Council forward with a property portfolio of the size, quality and condition to meet corporate priorities and service delivery needs.

4.3.3 The report and exempt tables identify which buildings have the greatest financial risk and illustrates that there is a maintenance cost where projects have been approved but not taken forward, even where funds have been allocated.

4.4 Planned Maintenance Programme and Cost reduction Plan

4.4.1 The Council needs to manage effectively the identified challenges of maintenance and efficient use of its assets. It can do this by:

- Identifying priority projects, with Portfolio holders and lead officers allocated to deliver each project in the target timescale;
- Approving additional funding to projects where none has been approved;
- Adopting a Planned Maintenance Fund approach to ensure that best use is made of financial resources, to include all properties which are not identified as projects;
- Updating the Asset Management Plan 2009 to put in place the review mechanisms for systematically reviewing the property portfolio.

5. Other options considered

5.1 The Council needs to allocate sufficient resources to fund property maintenance of all the assets identified for the delivery of services.

5.2 The systematic review of all assets will include option appraisals.

6. Community impact

6.1 Crime and disorder impact *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 There is no adverse impact on crime and disorder.

6.2 Diversity and equality impact *(including the findings of the Equality Impact Assessment)*

6.2.1 Implementation of asset management processes and reviews will be of benefit to all.

6.3 Sustainability impact *(including completing a Sustainability Impact Assessment)*

6.3.1 Asset management reviews will consider sustainability impacts.

6.4 Other impact *(any other impacts affecting this report)*

6.4.1 None identified.

7. Consultation *(what consultation has been undertaken, and what were the outcomes?)*

7.1 The adoption of asset management processes and addressing planned maintenance has been discussed by Portfolio holders.

7.2 A training session is to be held on 15 January 2013 to improve Councillors' awareness of property asset management. The aims are to:

- Understand the role of property in the Council's service delivery performance
- How to make best use of property assets
- How to develop and implement a strategic asset management plan.

8. Financial and resource implications *(including asset management implications)*

8.1 The Cost Reduction Plan lists all the mechanisms for reducing property liabilities. If all the projects are completed, the identified £8 million maintenance liability for 2013/14 to 2017/18, outlined in paragraph 4.3.2 could be significantly reduced to £3.36 million (As detailed in Annex 2 and in the exempt Annex 1B - budget prediction 2013-2018 spreadsheet). Giving a much more manageable estimated annual maintenance sum of approximately **£400k (from 2015/16)**.

8.2 The current annual revenue provision for planned maintenance is circa £200k per annum. Leaving a gap of £200k per annum to be included within the Council's revenue base budget from 2015/16. The ongoing capital requirements from 2015/16 are manageable within existing capital budgets.

8.3 The main area to work through has been the revenue impact and funding requirements of these liabilities for 2013/14 - an additional £625k and for 2014/15 - an additional £240k. The capital impact for 2013/14 - an additional £377k and for 2014/15 - an additional £102k.

8.4 This has been the focus of a significant amount of work by Members and Officers over the past few months, including reviewing and aligning the AMP to

the Council's Strategic Plan actions, reallocating some of the funding available from within the plan itself; reviewing the use of New Homes Bonus for 2014/15- linked to the work required around the business/industrial units; and reviewing the Council's current capital programme.

- 8.5 The budget requirements and funding outlined in paragraphs 8.1 – 8.4 above, will be prepared in parallel with the Council's revenue and capital budget setting process for the Medium Term Financial Strategy, due for consideration at Full Council on 4 March 2013.
- 8.6 The overall revenue and capital provisions outlined in this report and annexes are based on property information and surveys available at present, therefore a snap shot in time. It is proposed that in order for the West Suffolk Property Services team to carry out the AMP effectively, that a flexible approach is given to the overall allocation of the financial resources within the plan itself.
- 8.7 This is achievable through delegating authority to the Head of Waste Management and Property Services to deliver the AMP, through the West Suffolk Property Services team and within the overall revenue and capital budget provisions outlined within the plan; with the ability to vire within budgets, without being subject to the limits set out in the Council's constitution for budget virements.
- 8.8 It is also considered prudent to create an Asset Management Plan Reserve for any unspent Planned Maintenance budget at each year end. This reserve would be subject to the same delegation around its use as outlined in paragraph 8.7 above.
- 8.9 The projects identified will be scoped in accordance with the Project Management procedures.

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	High/Medium/Low		High/Medium/Low
Not able to occupy property due to failure to maintain adequately	Medium	Adopt a properly funded and managed Planned Maintenance Programme	Low
Priority projects, as set down in the Approved Property Projects and Additional Unfunded Property Projects at annex 3A and 3B are not completed, resulting in additional unfunded maintenance liabilities	Medium	Assign lead Portfolio holders and Officers to the projects. Scoped projects in accordance with the Council's Project Management procedures.	Low

10. Legal and policy implications

10.1 There are no legal implications. All actions undertaken concerning property assets will be in accordance with the relevant legislation.

11. Ward(s) affected

11.1 All wards are affected.

12. Background papers

12.1 Asset Management Plan 2009.

13. Documents attached

13.1 The following documents are attached:

- Appendix 1 – Asset Management Plan 2013/14 to 2017/18 - Overview
- Annex 1A – Capital and Revenue Full Maintenance Requirement 2013/14-2017/18 (***Exempt under Paragraph 3***)
- Annex 1B – Capital and Revenue Best Case Scenario 2013/14-2017/1 (***Exempt under Paragraph 3***)
- Annex 2 – Council Assets – Maintenance Liabilities, Summary Tables
- Annex 3A - Approved Property Projects
- Annex 3B – Additional Unfunded Property Projects
- Annex 4 – Asset Management Plan - Action Plan