



Briefing 08/71 December 2008

# Taking benchmarking forward for Asset Management

## Key issues

- Asset Management has gained a high profile as themes such as a need for more joined up working within councils, raised customer expectations and attempts to devolve power to the lowest level of local government have emerged.
- Government has provided guidance to help councils manage their assets effectively
- APSE will be working towards incorporating a range of asset management related performance indicators into Performance Networks and producing a report from them in 2009-10

## 1. Introduction

Even with recent developments in ICT, without assets there would be no local government. Public buildings and town halls provide centres for service provision, interaction with the public and a venue for the democratic process but it does not stop there. Roads, vehicles, council houses, street lights, leisure centres, shops, community halls and the land that councils own form a substantial series of assets that have a value in terms of the service provided as well as a potential value on the open market. Therefore it is vital that such assets are managed effectively and holistically across and between councils so that they retain their value. Asset management should be dealt with at the strategic core of the authority and needs to be linked to the main priorities of the council and its partners.

## 2. National Context

### England

In 'Building on Strong Foundations – A Framework for Local Authority Asset Management' (CLG, February 2008) John Healey, Minister for Local Government, notes that councils have improved the way they manage assets and that they are making more effective use of their asset base as the foundation for delivering high performing public services. The Framework goes on to note the policies that impact upon local authority asset management but that it is up to each council to decide upon their own approach to asset management bearing in mind their local priorities. Formulating an asset management plan which each council puts in place clearly will not work due to the variety of circumstances, assets and priorities within each authority.

The role of senior management and councillors in prioritising asset management and engaging with citizens and partners when managing their assets is a constant theme in the document. It fits with the other points made in the document such as the need for more joined up working within councils, raised customer expectations, the attempts to devolve power to the lowest level of local government and the value of the local authority fixed assets. This latter value is noted as £239 billion.

The paper defines asset and property management as –“Strategic asset management is the activity that seeks to align the asset base with the organisation’s corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned” (Public Sector Asset Management guidelines – RICS, 2008)

The Framework publishes a list of what good asset management looks like and this is provided at Appendix 1. It looks at processes, alignment with objectives, implementation and review and monitoring.

‘The National Procurement Strategy for Local Government – Towards public service transformation’ (April 2008) refers to the fact that central and local government both recognise that effective asset management plays a major role in delivering better outcomes for citizens, creating a sense of place and generating efficiency gains. It also notes that asset management should underpin and contribute to the delivery of the local vision and priorities set out in the Sustainable Community Strategy; the Local Area Agreement and the Local Development Framework.

In the context of the Comprehensive Spending Review 2007, a tighter settlement will require local government to consider the most effective use of its assets. This will include considering co-location of services, to improve outcomes; shared use of assets; working closely with community groups to best utilise assets; and reviewing the future of underperforming assets. Increasing property expertise within authorities must be addressed as should encouraging strategic decision making and partnership working particularly at senior management and member level.

In ‘*Opening the transfer window*’ – the Government’s response to the Quirk Review of community ownership and management of public assets, sets out how the government will implement the Quirk Review proposals. This includes improving and strengthening the asset management guidance currently available to local authorities by publishing new guidance early 2008. Work is underway with the LGA, RICS and CIPFA to develop guidance on asset management for local authorities.

The Audit Commission opened a consultation on use of resources for the first CAA judgements in November 2007. Under the proposals CAA would assess how local authorities work with the other local public agencies, the third sector and community groups to identify opportunities for using assets to deliver greater community benefit.

The White Paper ‘Strong and prosperous communities’ issued in October 2006 noted that ‘managing assets effectively is vital to achieving cost savings for local authorities and helping them to deliver better outcomes for citizens: disposing of, or improving, underperforming assets, and modernising assets that can be expensive to maintain is key to this. For example, the efficient management of roads is critical to the delivery of other services.

Asset management was one of the themes of Round Six of the Beacons Scheme. The Beacons identified six main elements as crucial to effective asset management:

- the need to integrate asset planning with corporate planning and the local authority’s strategic vision for the area
- key elected members and officers being engaged in decision-making
- forecasting and meeting future asset requirements being done jointly with key partners and in discussion with the local community
- a structured approach to challenging whether assets are needed and are fit for purpose
- effective data and information management to enable decision-making
- effective project management of major capital schemes.

The fifth point above is fundamental if the other points are to be addressed successfully.

The White Paper also claimed that better asset management will assist in improving service outcomes. It should also encourage the disposal of underperforming assets, enabling local government to contribute towards the objective set in the 2004 Spending Review for disposals of £30 billion of public assets by 2010-11.

The CSR 2007 referred to asset management as an area where improvement was expected. The Value for Money Delivery Plan published alongside the CSR 2007 noted that better asset management could deliver up to £300 million net cash releasing savings per annum by 2010-11.

The above reflects the fact that asset management has been a constant theme in the efficiency agenda promoted by central government and taken on by local government. Related issues such as community ownership, shared services and improvements in ICT have ensured different perspectives have been brought to the topic. The economic downturn will also have an impact on asset management both in terms of financial resources available to councils for maintenance as well as income from the sale of assets and rent from tenants.

### **Scotland**

In Scotland, Audit Scotland is currently carrying out a project titled 'Asset Management in local government' with the report due for release in March 2009. The review will evaluate how well councils manage their assets, the extent to which they use them to contribute to high quality service provision and whether they achieve value for money. The final report will make recommendations that will assist councils' own efforts to improve in this area.

### **Northern Ireland**

The Review of Public Administration in Northern Ireland will mean that the new councils will have to consider which assets to use and which will be surplus to requirements. This will be a major project with issues such as accessibility, maintenance costs and spare capacity to take into consideration. Information about current assets will be fundamental to the planning of services as arrangements for the new councils are put in place.

### **Wales**

The Local Government Data Unit in Wales collect a number of indicators from all authorities which cover the physical condition of buildings, the urgency of repairs needed, the cost of energy used and water used within buildings. CLAW (Consortium of Local Authorities in Wales) have produced two documents, 'A Guide to Asset Management Planning in Wales' (2001) and Supplementary Guidance to Asset Management Planning in Wales' (2003) which are still current and provide appropriate guidance. The Audit Commission in Wales published a national report 'Asset Management Plans' which highlighted the importance of asset management plans for the delivery of services, the type of data and measurement needed and how this fits into the corporate planning process.

The Welsh Audit Office has also recently published a good practice briefing examining how the public sector manages its vehicle fleet and it identifies some tips for improvement and examples of good practice. This reflects the fact that there is a range of guidance and associated documentation available addressing specific issues as well as asset management in a strategic sense.

### **3. CIPFA statistics**

(Source – Local Authority Assets Statistics 2003 and 2007; SIS ref. 97.03, 97.07; CIPFA)

The value of local authority operational assets (as defined by CIPFA) in 2003 stood at £200,766m, with debt as a % of operational assets being 24.9%. By 2007 this value had moved to 261,662m with a debt % at 23.7%.

This equates to £4,447 per head of fixed operational assets across Great Britain and if all non-operational assets, non-fixed assets and current assets are included the figure is £5,267 per head. Such figures reflect the scale of local authority assets and debts and the need to manage them effectively.

### **4. Case Studies**

The following are a number of case studies looking at how councils are addressing asset management

a. Otley Library, Leeds City Council

Following a suitability survey of all Council libraries, Otley Library and TIC was identified as not “fit for purpose” as it was too small relative to the demand for its services and there were access problems. The challenge was to provide a high standard of accommodation for all the services involved that would be in-keeping with the ambience of the local environment which encompassed a conservation area. It also had to meet customer expectations and satisfy keen local interest as well as gaining approval from Otley Town Partnership, Otley Town Council and the planning authority. Details of the case study can be found at <http://www.beacons.idea.gov.uk/idk/aio/1484106>

b. Capital Strategy, Cambridgeshire County Council

Cambridgeshire, and in particular the Cambridge sub-region, will experience significant long term growth over the next five to twenty years with the planned expansion in housing and the development of new settlements. Regional planning guidance requires Cambridgeshire to accommodate a minimum of 4,000 new homes a year to 2016. This growth will translate into the need for considerable investment in new infrastructure to meet the pressures on essential services such as schools, libraries, roads, waste and homecare. The key challenge is to ensure that there is sufficient resourcing of this programme in terms of funding, forward planning and implementation. Details of the case study can be found at <http://www.beacons.idea.gov.uk/idk/aio/1484066>

c. Asset Strategy, Cambridgeshire County Council

Cambridgeshire County Council (CCC) holds 652 property assets with a value of over £600 million. A review of all CCC property assets has provided a baseline of information on the current usage of its assets and a challenge to the utilisation, suitability, location, retention and sustainability of the assets. Details of the case study can be found at <http://www.beacons.idea.gov.uk/idk/aio/1484063>

d. Asset Management and Planning the Welsh Way, Welsh County Surveyors Society.

Councils in Wales have come together to appoint someone to lead the councils in their production of Highways Asset Management Plans. The outcomes from the project will be workshops providing expert advice and guidance, a day at each authority, to be utilised at the authority's discretion, the creation of a generic HAMP and the establishment of a web site.

## **5. Developing the Performance Networks service to incorporate Asset Management**

Over the next 12 months APSE will be looking at development of a performance framework for asset management, which will utilise some of the data now contained in the performance networks model taking into account processes, standards and outcomes and including data on cost, quality and customer perception.

The asset management report will allow authorities to compare elements of performance with regard to a number of assets based on existing performance networks service areas - street lighting; building maintenance; parks, open spaces and horticultural services; highways and winter maintenance; civic, cultural and community venues; transport operations and vehicle maintenance; sports and leisure facility management. The intention is that there would not be a separate data collection template as data would be gathered from existing templates.

It will include a series of outputs from a set of selected data from the separate APSE performance networks models.

Although there is no standard definition for asset management and authorities will approach it in different ways, the framework and report will provide comparative information to support local councils with this responsibility. The framework will follow the cycle of other performance networks service areas and the templates will develop as new areas emerge. This issue will be addressed at all relevant advisory groups to provide an opportunity for discussion and to identify appropriate performance measures.

Further development of the APSE asset management model will include ensuring that it caters for the significant legislative differences across the UK. In the meantime, this interim report is an attempt to link the aspects of asset management by drawing on available Performance Networks data to provide comparisons on a wider level, a first stab at seeing what the information looks like when presented together for the first time.

APSE is very keen to receive feedback from any of its members who are included in this first run. There has been a positive response during the development stage, with recognition of the important part in future performance management arrangements this model could potentially play.

Examples of performance measures for asset management which might be identified include

- Long term investment plans
- Asset value per m<sup>2</sup>
- Maintenance cost per m<sup>2</sup>
- Age profile of asset by survey
- Water and energy consumption
- Usage rates
- Cost of vandalism
- Maintenance regime/servicing schedule
- Replacement programmes incorporating lead times

## **Appendix 1**

(Source - 'Building on Strong Foundations – A Framework for Local Authority Asset Management' (CLG, February 2008))

### **What does 'good' look like?**

The list below sets out what we think 'good' could look like. It is based on the ideas contained in relevant research and within this Framework.<sup>6</sup>

#### **Step 1: Asset management processes within the local authority**

- Prioritise asset management at a senior level
- Ensure that asset management is adequately resourced
- Think corporately about asset management
- Involve elected members and designate a member of the Cabinet to hold the asset portfolio
- Ensure that there is a project management system in place
- Ensure that formal mechanisms are in place to engage with citizens and to collect, analyse and store the relevant property data

#### **Step 2: Aligning assets with visions**

- Ensure that the asset management plan is a medium to long term plan
- Link asset management with all other strategies<sup>6</sup>
- Link the asset management plan to the corporate vision and statutory requirements
- Clearly outline the objectives for each asset
- Consider all options for all assets
- Work across boundaries to align asset management strategies

#### **Step 3: Implementation of the Asset Management Plan**

- Establish clear strategic approaches to the utilisation of space and flexible working, and co-location with partners and stakeholders
- Consider options for under-used assets
- Consider options for financing of new assets
- Maintain and adapt existing assets as needed

#### **Step 4: Review and monitor process**

- Periodically review corporate management arrangements for capital asset planning to ensure they are fit for purpose
- Conduct post implementation review of all capital projects that are undertaken
- Review processes following the Comprehensive (Performance/Area) Assessment
- Engage with other organisations and share learning to drive a process of continuous improvement

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