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A Guidance to Asset Management Planning in Wales

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A Guidance to
Asset Management
Planning
In Wales

SEPTEMBER 2001

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EXECUTIVE SUMMARY

BACKGROUND

1. One of the ways in which the Assembly plans to deliver better and more efficient services for the people of Wales is by better utilisation of capital assets. The specific target as set out in www.betterwales.com is:

   "To achieve better value for money from our capital assets by ensuring that all public bodies in Wales have Asset Management Plans in place, by April 2002".

2. Welsh local authorities hold four main types of assets valued at over £8.8 billion namely:
   - Land and Buildings used to deliver a direct service to the public – housing, schools, residential care homes, public parks etc.
   - Those that support service delivery in some way – administrative offices, the town hall, vehicle depots etc.
   - Non-operational property, namely that which is not used for, or in support of, mainstream service delivery, for example surplus property awaiting sale, assets under construction, commercial and industrial property.
   - Infrastructure assets, principally roads.

3. Considerable investment is needed to maintain these assets and a significant (and growing) maintenance backlog has been identified. For example, the Welsh Office was advised three years ago that over £300m was needed to be spent to bring schools into a reasonable state of repair.

4. If progress is to be made, an authority must appreciate the benefits and accept the need to introduce asset management planning and direct sufficient resources to the process. To succeed, it is essential that Cabinet and other Members, Chief Executives, Corporate and Service Directors and Property Officers contribute positively to the process.

THE NEED FOR CHANGE

5. Whilst local authorities have made progress towards better management of these assets, much remains to be done. The Audit Commission, in their recent report on property management[1] highlighted a number of general weaknesses, all or many of which apply to Welsh councils:
   - property is not always treated as a strategic resource;
   - some councils fail to challenge why they own land and property;
   - there is insufficient data to inform decisions about how best to manage the estate;
   - poorly defined financial and managerial procedures cloud accountability for property; and
   - political apathy and opposition to change traps councils in the status quo.

6. Considering the value of assets held and their potential contribution to improved service delivery, their effective, efficient and economical management must be a high priority for all councils. This will necessitate the introduction of strategic asset management planning and the tool to achieve this is the Asset Management Plan (AMP).

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[1] 'Hot Property – getting the best from local authority assets', April 2000.

PROPOSALS FOR IMPROVEMENT

7.   Local authorities in Wales are some way off having the necessary systems in place to meet the Assembly's target of having Asset Management Plans in place by April 2002. A more realistic timetable for the preparation of AMP's is as follows:
- ➢   by April 2004 for all non-housing and infrastructure assets.
- ➢   by April 2006 for <u>all</u> assets, including housing and infrastructure.

Initial actions, which should be completed by April 2002, involve raising awareness at all levels, setting up the corporate framework and reporting systems and commencing the data collection and management process.

8.   In preparing an AMP, councils should genuinely challenge what and how services can be improved through more effective asset management. The plan will be a corporate document, which will link to corporate and service objectives. Systems to facilitate a two-way information flow between the various planning processes need to be set up.

9.   The key benefits in preparing an AMP are:
- Improved information on assets and awareness of the costs of asset utilisation as an aid to decision making.
- Will assist an authority to achieve a sustainable asset base.
- Will aid optimisation of capital receipts.
- Will enable authorities to adopt a longer planning horizon.
- Will bring members more into the decision making process.
- Providing improved information on which to base a case for additional resources/funding

Achievement of Asset Management Planning across Local Authorities, one of the Assembly's priorities as outlined in BetterWales.com, should also play a part in improving the relationship between Local Authorities and the Assembly.

10.   The key elements of effective asset management planning are:
- Adoption of a corporate approach and integration into the wider corporate planning framework.
- Development of a strategic authority wide view.
- Allocating of sufficient resources to the process.
- Availability of accurate running cost, area, condition and usage data.
- Arrangements in place to review assets robustly and in a structured way.

11.   It is suggested that an AMP has a 5 year cycle, reviewed and updated annually. Key processes should be linked to the budget cycle and publication of each authorities' Best Value Performance Plan. The Plan should have 5 key parts:

- an overview of property aims, objectives and strategies
- a statement of the current portfolio
- key areas for change
- preferred options for key areas
- implementation programmes

12   The Guidance at Appendix 3 sets out a more detailed format for the plan and on pages 17 and 18 a framework for its preparation. Initial actions required include:

- Appoint a Corporate Property Officer.
- Set up a corporate AMP delivery team.
- Raise awareness of Asset Management Planning at all levels
- Review responsibilities – Members and Officers.
- Establish reporting/monitoring mechanisms.
- Commence review of information requirements and systems to deliver them.
- Focus on simple condition surveys for all properties.
- Draw up an action plan to achieve the timetable.

13.   Part 2 of the Guidance sets out an approach to developing an asset management planning system with specific reference to a number of key issues including:
- Corporate management arrangements that need to be put in place (Paragraph 14).
- Planning and consultation processes (Paragraph 16).
- Core data requirements (Paragraph 17).
- Asset Review and Performance Measurement (Paragraph 19).
- The development of Performance Indicators (Paragraph 20).
- Key outputs.(Paragraph 23)

CONCLUSION

14.   The Guidance emphasises that Local Authorities in Wales have much to gain from the implementation of improved Asset Management Planning processes. These advantages include the provision of significantly improved information on utilisation of assets and the associated costs, which in turn are the necessary building blocks for both:

- ➢   Achieving a sustainable asset base thus maximising the benefits to services and
- ➢   Making an effective case for additional resources

15.   In turn it is recognised that these benefits cannot be gained without the allocation of sufficient resources to the process (Paragraph 11). To help authorities meet the significant initial development costs in the first few years additional support from the Assembly is sought in order to kick-start the process.

16.   Whilst this summary focuses on the initial steps in the process, further developments are required for the full introduction of asset management planning in local authorities, particularly in the areas of performance measurement and the development of common I.T. systems.

PART I – GENERAL BACKGROUND

1. WHO THIS DOCUMENT IS AIMED AT

This document is essential reading for Chief Executives, Directors of Corporate Services, Directors of Finance, Service Directors, Property Officers and members. Because of the corporate requirements arising out of good asset management planning it is recommended that strategic responsibility for the actions set out in this document be taken on board by the Chief Executive or a Director and the senior cabinet member responsible for the property or cross cutting function.

2. BACKGROUND

2.1   Welsh local authorities are significant property owners. Councils in Wales are responsible for a portfolio of land and buildings that, based on balance sheet value, exceeds £8.8 billion, or £5.7 billion excluding council housing.

There are four main types of property asset:

- Land and Buildings used to deliver a direct service to the public – for example housing, schools, residential care homes, public parks etc.
- Those that support service delivery in some way – for example administrative offices, the town hall, vehicle depots etc.
- Non-operational property, namely that which is not used for, or in support of, mainstream service delivery, for example surplus property awaiting sale, assets under construction, commercial and industrial property.
- Infrastructure assets, principally roads.

The single largest type of assets by value is council housing (£3,195 million) followed by schools (£1,961 million) and infrastructure (£1,347 million of which £1,003 million relates to roads). As shown in the pie chart below:

Local Authority Property Assets by Service
Total Value as at March 2000 = £8.8bn
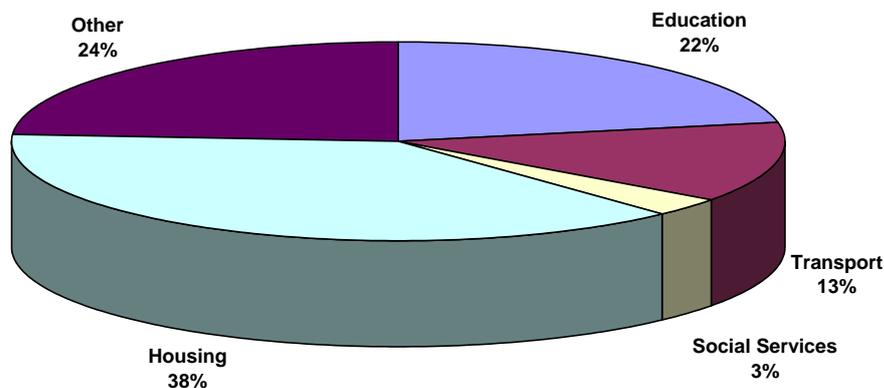
2.2   The existence of a significant (and growing) maintenance backlog across Wales has been identified in recent years. For example three years ago the Welsh Office were advised that £300m needed to be spent across Wales to make school buildings safe. However, there has been a lack of data to fully quantify the extent of this backlog and the impact upon services due to a lack of a consistent and comprehensive programme of condition surveys across local authorities.

www.betterwales.com

2.3   Better Wales.Com sets out a long-term vision for a better Wales. The detailed programme is that of the government of Wales and will be developed and tested in the Committees of the Assembly and in discussion with partners. One of the ways in which the Assembly plan to deliver value for money for the people of Wales with better and more efficient services, is in the area of utilisation of capital assets. The specific target is as follows:

'To achieve better value for money from our capital assets by ensuring that all public bodies in Wales have Asset Management Plans in place, by April 2002.'

2.4   In their 2000 report (A Case for Investment in Local Authority Assets in Wales) the Local Authority Capital Sub Group concluded that authorities in Wales were still some way off having the necessary systems in place to be able to meet the Better Wales target of having Asset Management Plans in place by April 2002. To address this situation the Capital Sub Group recommended that a working group be set up consisting of Assembly officials, representatives of the WLGA, Audit Commission and local authorities.

2.5   A Task and Finish Group was established (see Appendix 1 for a list of members) with the remit to:

- Identify good practice in asset management
- Provide guidance to authorities on the production and maintenance of Asset Management Plans.

This Guidance has been produced to fulfill the above remit. It covers each of the 4 categories of asset listed in paragraph 2.1 including housing and infrastructure assets. The target dates for completion of asset management plans are given in paragraph 4.4

3.   FAILURE TO TREAT PROPERTY AS A STRATEGIC RESOURCE

3.1   Although individual authorities vary enormously in the size and nature of their asset holdings, all face the challenge of modernising service delivery and getting the best from valuable capital assets. Whilst some local authorities have taken significant strides towards better asset management, evidence gathered points to the fact that much remains to be done, as highlighted below:

'Hot Property-getting the best from local authority assets' – Audit Commission 2000 [2]

3.2   In their recent publication on Asset Management, the Audit Commission underline the significant financial and service implications of failing to treat property as a strategic resource as follows:
' Property is a valuable resource that directly impacts on the performance of a wide range

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[2] Audit Commission: 'Hot Property – getting the best from local authority assets', April 2000

of local authority services. It is also costly to run and maintain. Successful asset management requires input and effort from across the authority. Too many authorities devote insufficient attention to the use and costs of their assets resulting in many being wasted and at times, sub-standard service delivery to users.'

3.3   Prior to the publication of 'Hot Property' in 2000 the Audit Commission last examined local authority property management in 1988. Most of the recommendations from the earlier study are still relevant today and the revisit in the year 2000 was timely because too many authorities are still devoting insufficient attention to the use and cost of assets. This lack of attention has a detrimental effect on the quality of service authorities can provide to local communities because they run the risk of:

- wasting money on assets that are not required to meet service needs, or are unnecessarily costly to run. Property is resource hungry. The average authority devotes 8% of their annual revenue budget to running and maintaining its estate.

- not serving the public well because buildings are of poor physical quality, or make services difficult to access.

- missing opportunities to share property with other public agencies which would increase customer convenience.

3.4   The Commission considered that making the best use of property assets was proving elusive to local authorities because:

- property is not always treated as a strategic resource;
- some councils fail to challenge why they own land and property;
- there is insufficient data to inform decisions about how best to manage the estate;
- poorly defined financial and managerial procedures clouds accountability for property; and
- political apathy and opposition to change traps councils in the status quo.

DETR Guidance

3.5   Consultants appointed by the DETR[3] in 1998 reached the following similar conclusions:

- There was limited authority-wide strategic asset management being undertaken in local government, with little consensus on the asset management process, and no consistent structure for asset management planning across authorities.

- There was limited performance measurement being undertaken, limited target setting or comparison, and few performance management systems in place. Where performance management was undertaken the links between objectives and performance measures did not appear to be met and most attention was concentrated on cost based measures with limited interest in effectiveness and process measures.

- Property data systems have received little investment in the past, leading to fragmented inflexible property data which does not readily allow the portfolio to be reviewed as a whole.

- There was no consistent approach to the categorisation of land and property assets across local authorities.

The current position in Wales

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[3] DTZ Pieda Consulting: Measuring performance in the management of Local Authority Property. September 1999

3.6   A survey of all authorities was undertaken earlier this year by the Consortium of Local Authorities in Wales (CLAW) on behalf of the Task and Finish Group to ascertain the current position in terms of asset management procedures operated by local authorities.

3.7   Responses were received from 15 out of the 22 local authorities in Wales.   Some authorities were more advanced than others. In particular the survey revealed that:

- most authorities had not formally established corporate property objectives
- only 8 authorities had appointed a Corporate Property Officer and Member Working Groups
- in the majority of authorities operational property is monitored at service department level but there is no corporate overview
- no authorities had yet prepared an AMP but 11 indicated they intended to start the process during 2001.
- most local authorities in Wales are some way off having the systems and costing, or the data required to fully implement corporate asset management planning. There is a large gap between where the authorities need to be and where they currently are. Condition surveys are generally available for only some of the non school and housing properties and in these authorities the surveys tend to be more than 2 years old.

4.   TIMETABLE FOR PRODUCING ASSET MANAGEMENT PLANS

4.1   The results of the survey undertaken by CLAW indicated clearly that whilst the position varies between authorities, few currently have the systems in place to enable the Better Wales target of Asset Management Plans by April 2002 to be met.

4.2   Taking into account the current position within Wales and experience within England on the work required to implement Asset Management Plans, a more realistic target date for completion of initial Asset Management Plans was considered by the Group to be April 2004. It was recognised that the different starting point faced by authorities would make achievement of this target more challenging for some than others but it was still felt to be achievable by all provided sufficient resources were allocated to support the process.

4.3   In addition the group recognised that inclusion of the more specialised areas of housing and infrastructure assets within the above time-scale could pose problems, in particular in light of the potential housing stock transfers. An extension to April 2006 was thus agreed for inclusion of housing and infrastructure assets within authorities' asset management plans.

4.4   The timetable agreed by the Task Group for the preparation of Asset Management Plans is thus as follows:

- by **April 2004** for all non housing and infrastructure assets
- by **April 2006** for all assets, including housing and infrastructure.

5. WHAT IS AN ASSET MANAGEMENT PLAN (AMP)?

5.1 The preparation of an AMP should involve a genuine challenge of what and how services can be improved through more effective management of their assets.

5.2 An Asset Management Plan provides a transparent understanding of the property held and used by a local authority to enable value for money issues to be addressed and informed, service improvements to be delivered and accountable decisions to be made. The corporate Asset Management Plan will draw upon information from service Departments, who should develop service asset management information in conjunction with the Corporate Property Officer. The format and level of detail of such information will vary between authorities. Appendix 2 contains an example of the format for such statements.

5.3 The existence of an Asset Management Plan optimises the opportunities for deployment and utilisation of land, buildings and other assets. Whilst much of the day-to-day information for the plan will be contained in Asset Registers and Land Terriers, significantly more information on the use and condition of buildings will be required. The AMP should develop into a document that has a 5-year plan cycle, reviewed and updated annually.

6. BENEFITS OF ASSET MANAGEMENT PLANNING

6.1 The weaknesses in asset management planning currently undertaken by authorities in Wales have already been outlined. Their effects can be summarised as:

- authorities not making the best use of assets leading sometimes to substandard service delivery
- a significant but often unquantifiable maintenance backlog again with an impact upon service delivery

6.2 Effective asset management planning involves a challenge of the capital assets held by an authority and the use to which they are put. It enables a co-ordinated approach to property issues across an authority by taking account of both individual service requirements and corporate priorities and allows both of the above issues to be addressed in a co-ordinated way. The benefits flowing from the approach outlined in this guidance are:

- Improved information on assets to aid decision making.
- Brings Members more into the decision making process
- Subject to sufficient resources being available, will assist an authority to achieve a sustainable asset base. Of prime importance here is the development of condition surveys which will allow authorities to gauge the level of resources required to develop and maintain the asset base and reduce the maintenance backlog.
- Aids optimisation of capital receipts through the identification and disposal of surplus and under used assets through a capital receipts strategy.
- Will provide improved information on which to base a case for additional resources/funding.
- Will enable local authorities to adopt a longer term planning horizon in which to improve and develop the quality of services.

7. FUNDAMENTAL REQUIREMENTS OF EFFECTIVE ASSET MANAGEMENT PLANNING

7.1 The fundamental requirements of good asset management planning are:

- Adopting a corporate approach
- Developing a strategic authority wide view
- Involvement of Members in the decision making process (facilitated by the introduction of new political arrangements linked to the modernisation Agenda)
- Allocation of sufficient resources to the process
- Formal asset review procedures in place focusing on
- Condition and fitness for purpose
- The contribution made to service objectives
- Need to retain or rationalise
- Targeting funds to areas of greatest need
- Establishing the link between property plans, best value and other corporate planning processes
- Defining minimum data and reporting requirements
- Raising awareness of the costs of using assets
- Establishing systems for collecting and holding the required data – to include a comprehensive programme of condition surveys
- Supporting a programme of works to eliminate maintenance backlogs.

7.2 Even so, it must be acknowledged that there are, in some areas, severe constraints to the introduction of a more corporate and strategic approach to asset management planning. One example is the financial delegations to schools, which has led to many of the responsibilities for the maintenance of buildings being delegated to governing bodies.

8. MAKING THE LINKS WITH OTHER PLANNING PROCESSES

8.1 The Asset Management Planning process needs to be integrated into the wider corporate planning framework including the processes for delivering the Corporate/Community Plan, Best Value and the revenue and capital budgets as demonstrated in the diagram overleaf. The Asset Management Plan should demonstrate a clear link between an authority's corporate and service objectives and their achievement through the best use of resources. The corporate and service objectives should form the framework for the review of future property needs , which is at the heart of the asset management planning process and thus influence both the service asset management statements and the action plan within the corporate Asset Management Plan.

8.2 The flow of information should not be either one way or one-off since the results of the review of property should then inform the corporate Plan, the authority's revenue and capital budget and the BVPP with property PI's reported in the latter as appropriate. For example the assumptions within the Capital Strategy on the level of capital resources available will be influenced by the level of capital receipts and availability of partnership funding, which will be reviewed as part of the asset management planning process.

8.3 Best Value requires that all local authorities challenge the way in which services are

provided with a view to instigating improvements. The process of review should enable services to more clearly define their current and future needs. An element of this will be to address how best those needs can be delivered, including the property requirements of each service. The starting point for the property element is the current service plan. The property needs identified through the service planning and best value review processes will inform the asset management plan. With regard to the operational estate, this will enable unsuitable property and the need for improving property to be identified. The results of Best Value Reviews should feed into the Asset Management Plan.

8.4   An Authority's Capital Strategy describes how the deployment of capital resources contributes to the achievement of the Council's stated aims and objectives. It is a key strategy document confirming a framework for future capital expenditure, which helps ensure that issues around property and other assets are fully reflected in the authority's planning process.

Diagram 1: Corporate planning processes
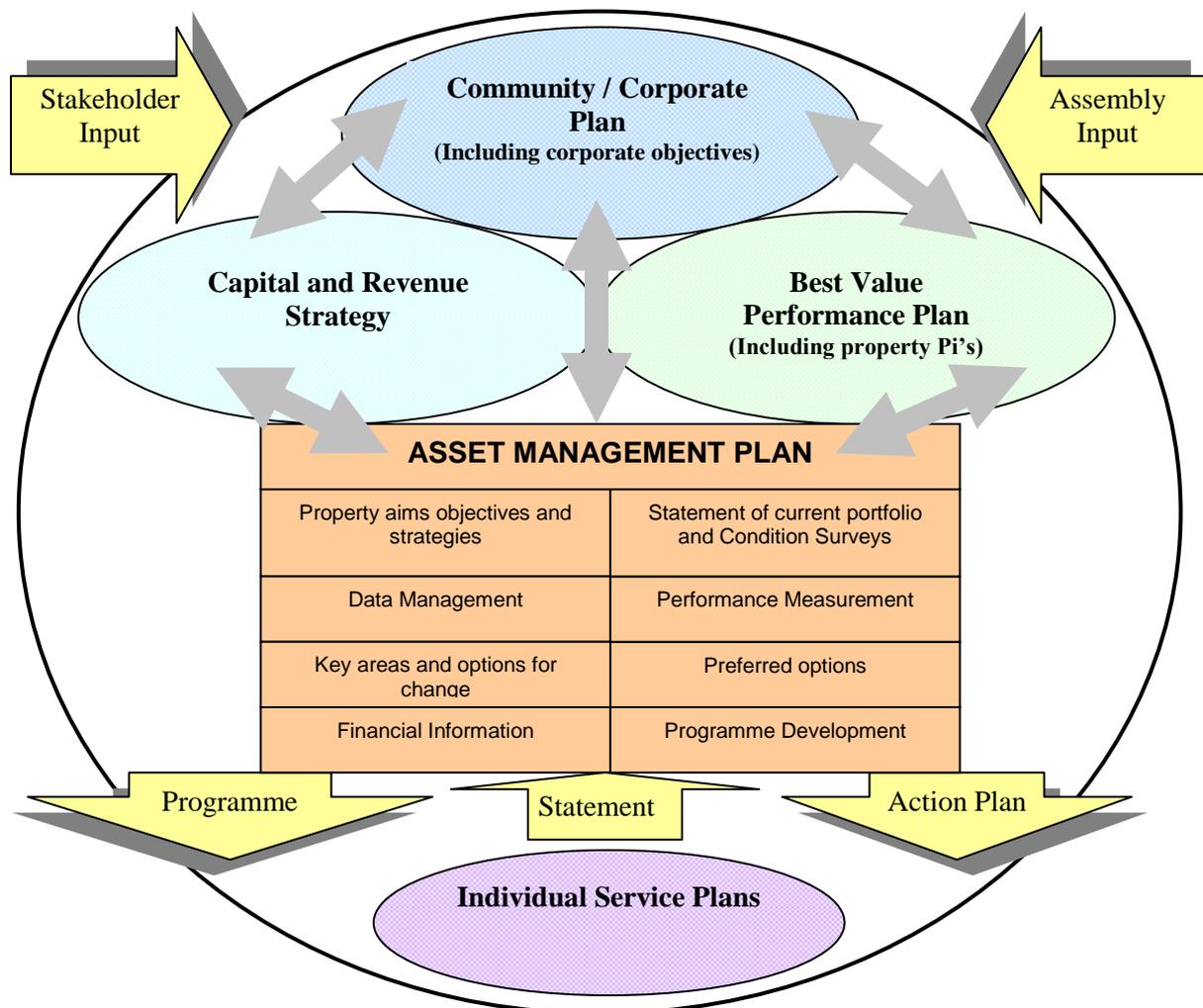
8.5   Asset management planning will identify areas of future property related

expenditure that will feed into the capital strategy. The Capital Strategy will determine priorities between the capital needs of the various services. It should provide a framework for the management and monitoring of the capital programme as well as informing bidding for additional capital resources. Finally, it should set in motion a process for:

- The generation and option appraisal of capital project proposals
- Prioritisation of those proposals
- Monitoring, evaluation of ongoing/completed projects
- Corporate review of existing properties and service needs to explore opportunities for more efficient and effective use of property or the release of resources through disposal

Annual Cycle

8.6   Whilst the planning timetable will differ between authorities the key processes should be linked to the setting of revenue and capital budgets and the publication of P.I.'s in the Best Value Performance Plan.

9. WHAT AN AMP MAY LOOK LIKE

9.1   The whole AMP process is a tool for authorities to develop and enhance the performance of assets to improve service delivery. As the property portfolio for each authority differs, so there is no set format for the AMP document. Each authority is likely to have unique features or geographical and service difficulties.

9.2   The AMP is based on a 5 year planning cycle. Each year the AMP is reviewed and updated. **The AMP should have 5 key parts:**

- **an overview of property aims, objectives and strategies**
- **a statement of the current portfolio**
- **key areas for change**
- **preferred options for key areas**
- **implementation programmes**

A format for an initial AMP is outlined in Appendix 3 and is put forward as a recommendation to Welsh local authorities.

10. WHAT NEEDS TO BE DONE BY APRIL 2002?

10.1   The timetable as set out in Better Wales.Com requires asset management plans to be in existence by 31 March 2002. Local authorities in Wales are in different stages of progress but it is clear that for the majority the target is unattainable.

The realism of the situation is that most authorities will have made considerable progress towards the target by April 2002 but many will still be some 2 years away. In recognising this situation it is suggested that authorities as a minimum should have carried out the following actions by April 2002.

- Appoint a Corporate Property Officer

- Set up a corporate AMP delivery team
- Raise awareness of AMP at all levels
- Review responsibilities – officers and members
- Establish reporting / monitoring mechanisms
- Commence review of information requirements and systems to deliver them
- Focus on simple condition surveys for all properties
- Draw up action plan covering:
  - ♦ Initial steps for year 1 to meet April 2002 requirements
  - ♦ Steps to achieve a comprehensuve AMP
    - ➢ by April 2004 for all non housing and infrastructure assets
    - ➢ by April 2006 for all assets, including housing and infrastructure

The balance of the requirements will depend on each local authority but an end date of April 2004 should be set for the preparation of the first full Asset Management Plans for all assets other than housing and infrastructure. Appropriate monitoring arrangements should be put in place to ensure these actions take place by the due date.

11. RESOURCE REQUIREMENTS

11.1 The adoption of an effective asset management-planning regime has potentially significant resource implications. These include:

- the resources required to develop the asset management processes (both corporately and within Services)
- obtaining the core data requirements
- developing IT systems and entering data
- undertaking condition surveys.

11.2 The level and type of resource requirements will differ between authorities depending upon their current position. However the scale of the task ahead can be gauged from the results of the survey carried out earlier this year by CLAW (paragraph 3.6). Responses from 15 authorities indicated that:

- most were some way off having the systems or data required to implement corporate asset management planning
- there is a lack of recent and comprehensive information on the condition of assets
- It is unlikely that the position is any better in the non responding authorities, indeed the reverse is probably the case.

11.3 In recent years the cumulative effects of tight financial settlements have made it difficult for authorities to allocate additional resources to asset management, where the gains are of a longer-term nature. The provision of additional resources by the Assembly is thus sought to help authorities meet the significant initial development costs in the first few years in order to kick-start the process.

12. WHAT IS WANTED FROM THE ASSEMBLY

12.1   To help ensure that all authorities understand and embrace the requirement to develop robust asset management plans the National Assembly needs to:

- Issue a policy document explaining what it means by an asset management plan and its vision for the development of the initiative and its requirements for monitoring.
- Continue to work with local government on the guidance and form asset management plans should take together with the steps needed for implementation.
- Consider making a contribution to the costs of introducing effective asset management planning regimes.
- Begin to use the information contained in authorities' asset management plans to decide the total level of capital resources that it will provide.
- Develop a dialogue with local government to agree clearly defined national performance indicators to facilitate benchmarking.

13.   CONCLUSIONS

13.1   The recent CLAW survey has indicated that local authorities in Wales are some way off achieving the target of having asset management plans in place by the target date of 31st March 2002. Indeed the extent of the data requirements and cultural change needed points to the fact that some authorities will need up to five years in order to achieve this target for all their assets.

13.2   This guidance has been drawn up to encourage all authorities to adopt the challenge outlined in betterwales.com and ensure that any further delay in implementation is minimised. The development of effective strategic asset management will take time and for most will be an incremental process. A checklist of phased actions over a time period of three years is included. The guidance set out in this booklet will steer Authorities through a phased transition to full asset management planning.

13.3   This course of action will have significant resource implications. Asset management planning generally has historically been an area of low profile and not, therefore a priority area for funding. Local Authorities in Wales request the Assembly to provide additional funds to meet some of the costs associated with the introduction of asset management planning.

PART 2 - APPROACH TO DEVELOPING AN ASSET MANAGEMENT PLANNING SYSTEM

14. THE TIMETABLE

14.1   To enable authorities to meet the target date for preparation of Asset Management Plans by April 2004 (for all assets bar housing and infrastructure), an indicative checklist, setting out key actions and timescales has been drawn up – see following 2 pages.

14.2   This indicative checklist is intended to demonstrate what could be done and when, under headings that can be incorporated into the annual Asset Management Plan. It is not intended to be prescriptive as to how things are done, as to some extent that will be a matter for each individual authority.

The intention is for the process to develop in understanding year on year, and for some of the early year functions associated with putting the right systems in place to only be revisited if for any reason in future those systems need to be changed.

14.3   To achieve the target dates for the preparation of asset management plans, support is required from the National Assembly and, within authorities, in the following areas:

a)   Corporate
Chief officers and members will need to place asset management planning as a high level corporate priority and regard its initial set up needs as important as the delivery of front line services.

b)   Officer Team
The officer team charged with delivering the AMP will have to be seen as a corporate team vested with the authority and support of senior officers. There must also be sufficient staff both within the team and also within individual services capable of ensuring delivery.

c)   Information Technology
There is a fundamental need to ensure there is adequate technology to achieve data capture, retrieval and manipulation of core asset information to produce a workable AMP. Any system developed should be as simple as possible. In most instances this will involve an IT scoping study to identify IT investment needs and subsequent investment. There may be considerable merit in inter-authority collaboration in this area and CLAW will be considering this.

d)   Collection of Core Data and Training
The collection of core data will require substantial staff resources to ensure there is a workable database of useful information. This should be allied to training in the use of the IT systems required to use this data. This area will require the largest investment and will vary according to each authority's current state of preparedness.

FRAMEWORK FOR
ASSET MANAGEMENT PLANNING IN WALES

INDICATIVE CHECKLIST

CORPORATE ACTION AND ROLES	2001/2	2002/3	2003/4
Appoint Corporate Planning Officer (CPO)	3		
Appoint corporate AMP team	3		
Establish reporting processes	3		
Set corporate objectives	3		
Service Directors to provide blue print of estimated service property need	3	3	
Property need to be more clearly assessed through service reviews and BV		3	3
Immediate areas for change identified and prioritised	3	3	
Review of outcomes of detailed service needs		3	3
Implementation plan for prioritised service action			3
Process and options appraisal in place for instigating change			3

PLANNING AND CONSULTATION	2001/2	2002/3	2003/4
CPO to consult with Service Directors on blueprint for need	3		
Results of consultation to be summarised	3		
Relationship with other corporate strategies to be established	3		
Services to consult with users/staff	3	3	3
Results of service consultation in terms of more detailed future property requirements to be confirmed to CPO		3	3
Plans to be developed based on outcomes of consultation		3	3

DATA MANAGEMENT	2001/2	2002/3	2003/4
Existing data and systems identified	3		
Shortfalls for systems and information for core data collection identified	3		
CPO to report on findings, and seek approval to systems required	3		
Develop data systems to enable core data to be collected and analysed	3	3	
Populate data systems with relevant information	3	3	
Feed data based information into AMP		3	3

PERFORMANCE MEASUREMENT AND MONITORING	*2001/2*	*2002/3*	*2003/4*
National PI's agreed	3		
Local PI's identified and reported on	3		
PI's applied to sample properties where possible		3	3
Data collated to enable PI's to be applied more comprehensively		3	3
Existing projects reviewed against PI's		3	
PI's applied and system for future monitoring put in place			3
Report on action taken as a result of monitoring and measurement			3
Future action planned for improvement			3
Consultation on property performance held with Service Representatives, and poor performers identified		3	3

PROGRAMME DEVELOPMENT	*2001/2*	*2002/3*	*2003/4*
CPO and AMP team agree method for corporate prioritisation and option appraisal	3		
Consultation on methodology with Services	3	3	
Mismatch between current and future provision identified		3	3
Action plan to address options for change			3

UNDER USE AND DISPOSAL	*2001/2*	*2002/3*	*2003/4*
Develop a system for assessment	3		
Develop a system for checking internal cross service demand for alternative use	3		
Identify and report on properties for disposal	3	3	3
Instigate assessment and cross service checking procedures		3	3
Instigate disposal process and report back		3	3
Report on relationship to space utilisation			3

SPENDING AND OUTPUT INFORMATION	*2001/2*	*2002/3*	*2003/4*
Estimate of investment need identified (develops in accuracy/detail through process)	3	3	3
Targets for outcomes set	3	3	3
Capital receipts estimated	3	3	3
Input into capital programme agreed	3	3	3
Capital programme approved by Members	3	3	3
Progress monitored	3	3	3

15.   CORPORATE ARRANGEMENTS

The AMP Delivery Team

15.1   The responsibility for delivering the AMP should rest with the Corporate Property Officer. In many authorities, it should be relatively easy to identify this post but those councils with their strategic property functions split will need to review current roles and responsibilities. It is essential that the Corporate Property Officer is endowed with the necessary authority and resources to fulfill his/her responsibilities. For this reason, it is suggested that the lead AMP officer or Corporate Property Officer should be directly accountable to the Chief Executive.

15.2   The key specific responsibilities of the Corporate Property Officer are:
- To facilitate a more corporate approach to property management.
- To assess, consider and apply the corporate drivers for future change.
- To strategically manage the asset management planning process, including space utilisation, assessing future actions and developing programmes.
- To ensure whole life costings are reflected in capital and revenue property decisions.
- To put in place performance indicators.
- To ensure that basic information on assets held, and their condition, is available.

15.3   An AMP delivery team, probably led by the Corporate Property Officer, must also be set up.   The team should comprise relatively senior officers from central and service departments to ensure an insight into individual council services, an understanding of corporate goals and objectives and a good working knowledge of property and its attendant issues.

15.4   As the team is performing a corporate function, it should report directly to the Chief Executive or Senior Corporate Officer Team and members.

Corporate Management

15.5   Corporate resources are required to deliver asset management planning and also in formulating the council's capital strategy, of which the AMP is an integral part. This being so, corporate management arrangements for finance and other resources should support the process and provide an element of overall responsibility commensurate with the need to invest in AMP delivery thus ensuring that corporate and service benefits are delivered.

Service Management

15.6   Individual service managers will need to be responsible for developing a blueprint of the service's requirements for service delivery. It will be the responsibility of the AMP team to translate this into a basic property requirement.

15.7   In practice a senior officer from each service will need to be dedicated to collate and provide information to the AMP team. This individual will be responsible to the Service Director.

15.8   Each service will also be responsible for undertaking consultation with service users to inform the blueprint of service requirements. Each blueprint will need to be adopted corporately to ensure the priorities expressed reflect wider corporate objectives.

16. PLANNING AND CONSULTATION

16.1 AMP development should be based on the outcomes of consultation. Strong corporate authority should be vested in the Corporate Property Officer and this will be essential in obtaining the co-operation and full participation of council services in the process. The Corporate Property Officer will arrange internal consultation with services and sell the benefits of the process.

16.2 The service blueprints need to be linked to corporate goals and objectives to enable a comprehensive AMP to be developed. The Corporate Property Officer must ensure that full stakeholder consultation takes place at this stage of the process as it will inform and influence key resource allocations in future years.

17. CORE DATA AND DATA ANALYSIS SYSTEM

Core Data Requirements

17.1 There is a need for a basic minimum amount of information to be held on all assets. The collection of this core data will be more onerous for authorities that currently hold little of this information and have a substantial asset base. The core information required is listed below:

Operational Property

a) **Address**, this should be a unique address as often many properties have more than one.
b) **UPRN** unique property reference number.
c) **Costed condition surveys**. Each asset should be graded and works costed against each of the following categories A-D/1-4:

A: **Good** – Performing as intended and operating efficiently.

B: **Satisfactory** – Performing as intended but exhibiting minor deterioration.

C: **Poor** – Exhibiting major defects and/or not operating as intended.

D: **Bad** – Life expired and/or serious risk of imminent failure.

1: *Urgent* works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of the legislation.
2: *Essential* work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of the occupants and/or remedy a less serious breach of legislation.
3: *Desirable* work required within three to five years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of the occupants and/or a minor breach of legislation.
4: **Long term** work required outside the five year planning period that will prevent deterioration of the fabric or services.

d) **Floor area** information. This should identify useable net area and overall gross floor area. Floor areas for schools should also be reported in terms of number of pupil spaces according to approved space standards providing theoretical capacity. This should reflect room by room capacity and any overarching limitations on achieving capacity e.g. size limitations of other core facilities.

e)   **Basic energy costs** e.g. coal, gas, electricity, water – consumption figures only.

f)   **Number of occupants** of the building. (Total pupil numbers for schools).

Non-Operational Property

The approach to data collection will depend on the basic categories adopted and the management strategy adopted for each individual or group of properties. See sections 6 and 7 below.

Investment Property

a)   Unique address
b)   UPRN
c)   Current rent and estimated rental value.
d)   Open market capital value.
e)   Tenure and length of interest if leasehold
f)   Rent review dates

Community Assets

a)   Unique address
b)   UPRN
c)   Condition survey as per operational assets (dependent on council's repairing responsibilities)
d)   Current rent and open market rental value
e)   Bases of occupation, e.g. concessionary, open market
f)   Lease length or earliest possible VP date
g)   Capital value
h)   Tenure and length of interest if leasehold

Land and Strategic Assets

a)   Unique address
b)   UPRN
c)   Current rent and open market rental value
d)   Basis of occupation, e.g. vacant, tenanted
e)   Lease length or earliest possible VP data
f)   Capital value
g)   Reason for holding and apparent benefit e.g. ransom strip to produce capital gain
h)   Tenure and length of interest if leasehold

Property Management System

17.2   The system is likely to be a database. It does not have to be a single database and there may be value in certain information being held separately. The key requirement is easy access to legal, financial and condition information by the officer team responsible for delivering the AMP and service managers.

18.   PROPERTY CATEGORISATION

18.1   To ensure a degree of conformity and the capacity to facilitate wider comparison it is suggested that the approach adopted in Wales be consistent with that in England but with an additional category for strategic land and assets under non-operational property.

19.   ASSET REVIEW AND PERFORMANCE MEASUREMENT

Reviewing Asset Ownership and Benefits

19.1   The fundamental purpose of the AMP is to review whether assets are delivering a minimum level of benefit in relation to the annual costs expended and capital deployed and to drive changes where they are not. The core information provides a platform for uniform assessment. The review process should highlight good and bad performance with the AMP recording the priorities for change within the corporate estate and any capital implications this will generate.

Operational Property

19.2   At best operational property can facilitate effective service delivery. At worst it can consume staff and financial resources and actively hinder service delivery. The main practical ways in which the operational estate can adversely affect service delivery are as follows:

    a)   Operating from too many buildings
    b)   Under spending on planned maintenance
    c)   Operating from inefficient property
    d)   Under investment in appropriate buildings/facilities

19.3   The review process should therefore identify:

    a)   Surplus property
    b)   Maintenance backlog and level of seriousness
    c)   Suitability and variation in blueprint requirements from actual need
    d)   Investment requirements/available capital receipts

Surplus Property

19.4   By using floor areas and staff occupancy numbers against industry space utilisation standards it will be possible to broadly identify under and over use of buildings. In terms of individual services it will be possible to identify whether over capacity could be used to release assets.

Maintenance Backlog

19.5   This will be revealed by the condition survey and help identify buildings with the biggest problems. This in turn can be used to inform decisions on building closures and suitability and value for money.

Suitability

19.6   This will need to be based on the service's blueprint for future service delivery and will provide the services input in decisions on building closures and overall suitability according to service need criteria e.g. location, access to public transport etc. In addition, information on energy usage and floor area will provide a broad indicator of building efficiency as will gross to net floor area. Buildings can them be compared to a uniform scoring system for each of the service need criteria as well as cost efficiency and space efficiency to produce indices of performance. This can also be used to inform decisions whether assets should be closed or relocated.

Investment Requirements

19.7 Analysis of the suitability data will facilitate the creation of a priority list. Those buildings with the largest number of serious suitability and efficiency problems but which are still operationally needed should be compared to the costs involved in replacement relative to the costs involved in resolving the issues. This information will provide core input to the council's capital strategy.

19.8 The capital strategy will take separate account of the potential financial benefits derived from identification and disposal of surplus property. This is essential if property is to be seen as a corporate rather than a service based resource.

Non-Operational Property

19.9 Investment property may deliver more than a pure financial role, however ownership represents an opportunity cost. It is therefore important to identify poor financial performance and reference this in opportunity cost terms to the value of other benefits delivered by the asset. Where assets fail to meet target returns they should be disposed of. Where assets meet or exceed targets, consideration should be given to future investment needs to ensure sustainability.

Investment Property

19.10 These assets performs a chiefly financial function, financial return should be assessed by reference to a common financial test. The English approach is to calculate the portfolio internal rate of return (IRR) for use as a national performance indicator. In isolation it does not provide any real insight into individual asset performance. However the broad approach can be developed to provide the IRR for individual assets to establish relative asset performance. To provide an indication of performance there needs to be a benchmark against which assets are measured. As a starting point it is recommended that the portfolio IRR be used as the benchmark to establish performance extremes.

19.11 Where assets perform significantly at variance to the performance benchmark they should be separately reviewed to establish whether they deliver any other benefit that would provide a reason for retention or whether performance can be improved through investment to provide an acceptable return. The precise nature of this secondary review should be left to each individual authority and should be based on local priorities. However, the true cost of retaining an under performing asset in relation to financial performance forgone should be calculated as a total figure to put total investment in context and can be used to inform the Council's capital strategy.

19.12 If some or all of the portfolio is providing an acceptable level of return, consideration should be given to the portfolio's longer term investment needs to ensure that its output both financial and non-financial are sustainable. This is particularly important where reliance is placed upon net income generation to fund core Council services. These investment needs should be fed into the capital strategy.

Strategic Land

19.13 There needs to be an assessment of the long term benefits of retaining an asset and these should be expressed in relation to the opportunity cost of continued ownership. This will place a timing implication on long term land assembly and ownership of land to control development form and use.

Community Assets

Asset Review

19.14 Using the core data it will be possible to establish broad annual costs associated with retaining individual community assets. Each property should be reviewed against the wider benefits the use of the building provides to the local community relative to its net annual cost to the Council.

19.15 To implement this approach will require the Council to assess the value of the activities undertaken from each of the premises and establish whether the activity would still be available to the community without the property to operate from. The social benefits will need to be expressed in some uniform base such as the cost of providing that benefit through other means. This will enable a more objective assessment to be made of the relative benefits of continued property ownership. The revenue and capital implications of continued community asset ownership can then be fed into the capital strategy.

20. PERFORMANCE INDICATORS

20.1 Five high-level indicators have been adopted in England by the DETR. Each indicator requires two or more measures to be taken. The indicators are set out in Appendix 4.

20.2 The benefit in introducing all of these indicators in Wales is debatable. For example, indicator 2 may be of limited use as most Welsh authorities have a small amount of investment property. It may be more appropriate for those councils with a significant amount of investment property to compare the performance of their portfolios with English councils. Councils with low investment income should not be required to compare returns on capital invested.

20.3 It is also questionable whether the value of the information provided by the Annual Management Costs per square metre indicator would justify the cost of its collection. For example, management costs per unit area may tell less above the asset than about the management processes that are adopted, which will differ from authority to authority, therefore rendering any benchmarking of little use. The management processes should form part of a Best Value review, where issues of efficiency and best practice can be addressed. There may be simpler indicators that can provide information on the management intensity of the assets that are less onerous to collect.

20.4 Welsh authorities have also developed strategic performance measures through the CLAW benchmarking scheme. The measures adopted are:
   i) Asset Value per Head of Population.
   ii) Operational Asset Value as a % of Total Asset Value.
   iii) Capital Receipts as a % of Total Asset Value.
   iv) Total expenditure on buildings per m^2.
   v) Staff costs as a % of Total Asset Value.

20.5 There is a need to develop a single set of performance indicators, which can drive improvement in asset management in Wales. It is suggested that this work be undertaken by CLAW and completed in 2001/2.

21. PROGRAMME DEVELOPMENT

21.1 The development of investment programmes should relate to corporate and financial objectives. Option appraisal and prioritisation should take place through a formal corporate methodology.

21.2 In practice, once each service has completed its blueprint and future cross-cutting property needs assessed, the shortfall between current and future provision can be identified. Available resources are likely to be limited thus creating a need for the prioritisation of future investment in the estate. Full consultation with services should take place as the methodology is developed.

22. UNDER USE AND DISPOSAL

22.1 It is acknowledged that the disposal of surplus assets is a difficult and politically sensitive issue for many authorities, especially in areas which cannot generate high sale values. Even so, the need to justify the retention of surplus and under-utilised properties is a basic principle of good asset management and there must be strong corporate and member support for the Corporate Property Officer in this particular area of his responsibility.

22.2 Surplus and under-utilised property should be identified and challenged as part of the property review process. The process needs to be corporately driven and a system set up to report and decide on the future use or disposal of these assets, reflecting both service and corporate needs.

23. SPENDING AND OUTPUTS/OUTCOMES

23.1 The AMP development process will lead to the following key outputs:

- A 3-5 year Capital Programme including a forecast of capital receipts.
- Identification of key investment issues relating to the property portfolio and proposals for dealing with them.
- Identified resources and gaps.
- Property Implications arising from Best Value reviews identified and actions proposed.
- Milestones for successful implementation.

24. MONITORING

24.1 The AMP will need to show how monitoring, review and feedback into the next plan will be achieved. This process will need to be linked to performance measures to ensure continuous improvement.

APPENDIX 1

Members of the Asset Management Planning Task and Finish Group

WLGA

Ian Miller, WLGA
Lyn James, Bridgend CBC (Chair)
Jane Ormrod, Bridgend CBC
Roger Pike, City & County of Swansea
Robert Wollatt, Torfaen CBC
Geoff Petty, Powys CC
Gay Brooks, Denbighshire CC
Bleddyn Hopkins, Caerphilly CBC

CLAW

Mark Davies, Carmarthenshire CC
Stuart Brown, Wrexham CBC
Stuart Bates Caerphilly CBC
Alun Jones, Gwynedd CC

NAW

Laurie Pavelin
Vaughan Johnson
Alan Perry
Alan Thornton
Keith Osborn
Paul Davies
A Jones
Howard James
Lisa James

Audit Commission

Helen Oxtoby

APPENDIX 2

EXAMPLE: ASSET MANAGEMENT STATEMENT
For: **Anytown Branch Library, High Street**

PROPERTY DETAILS			
Property Ref. No.	ED001		
Name & Address	Anytown Branch Library		
	High Street, Anytown, Anywhereshire	Main Entrance	
Post Code	AT31 1AB		
Telephone	01666 123456		
District	South Anywhere	Ward	Central
Main Category	Operational - Library	Councillor	Cllr J. Bloggs
Site Area	857 sq.m.		
Value			
No. of buildings	1		

USER DETAILS			
Building	Department / service	Description	Floor Area m^2
1 Main Building	Cultural Services	Library	550
1 Main Building	Community Services	Office	30

MAINTENANCE HISTORY				
'Landlord' expenditure			Maintenance Area	South
	1998/1999	1999/2000	2000/2001	Average
Capital - Planned	0	0	0	
Revenue - Planned	55,000	60,000	55,000	56,600
Revenue - Responsive	25,000	85,000	66,000	58,600
TOTAL	80,000	145,000	121,000	115,300

SUMMARY OF CONDITION SURVEY		Survey date	12th February 2001	
Building Element	Urgent	1st Year	2nd Year	Average
Roof	5,000	10,000	15,000	10,000
Floors & Stair	200	1,000	1,200	800
M&E services	4,000	1,000	1,000	2,000
External Walls	700	1,200	2,300	1,400
Windows & Doors	0	0	0	0
Redecoration	1,000	5,000	3,000	3,000
TOTAL	10,900	18,000	22,500	17,200

SUMMARY OF RUNNING COSTS	1998/1999		1999/2000	
	Budget	*Actual*	*Budget*	*Actual*
Rates Paid				
Rent & service charge				
Insurance				
Caretaking				
Cleaning				
Responsive Maint'				
Grounds Maint'				
Security				
Energy	*Units*	*Cost*	*Units*	*Cost*
Gas / Solid Fuel				
Oil				
Electricity				
Water				
TOTAL				
Unit cost per m^2	1998/1999		1999/2000	

SPACE UTILSATION		Survey date	12th February 2001	
Building 1		*1997/1998*	*1998/1999*	*1999/2000*
Operational Hours per annum				
Opening Hours per annum				
Hours used per week				
Maximum No.of users (Staff / residents / pupils etc.)				
Actual No. of users				
No. of visitors				
TOTAL				

EXAMPLE: DEPARTMENTAL STATEMENT

Occupier	Prop Ref No	Floor Area	Energy costs		Total running costs	
		Sq M	£	per sqm	£	per sqm
Area Library 1	ED001	550	1,822	3.31	11,540	20.98
Area Library 2	ED002	582	2,564	4.41	12,395	21.30
Branch Library 1	ED003	144	1,145	7.95	3,620	25.14
Branch Library 2	ED004	677	6,430	9.50	22,314	32.96
Branch Library 3	ED005	130	462	3.55	3,031	23.32
Branch Library 4	ED006	137	610	4.45	2,635	19.23
Branch Library 5	ED007	89	1,651	18.55	8,621	96.87
Branch Library 6	ED008	921	4,743	5.15	21,350	23.18
Branch Library 7	ED009	394	1,255	3.19	4,072	10.34
Total Libraries		**3624**	**20,682**	**5.71**	**89,578**	**24.72**

APPENDIX 3

DRAFT FORMAT FOR A FIRST AMP

Statement of the Context

1. Aims and objectives of the authority
2. How corporate objectives relate to the property portfolio
3. Links to the planning framework of the authority and covering the Community Plan, Capital Strategy, BVPP and Procurement Strategy
4. Requirements for the investment portfolio challenging use and holding of all property

Planning and Consultation

5. Process of consultation that has been undertaken with all relevant parties
6. How changes resulting from consultation are fed back into the system
7. Corporate Asset management arrangements including the role of the Corporate Property Officer and the Asset Management Group

Data Management

8. A statement of the assets held by number and value for each category
9. Provide evidence of systems currently in place to hold the relevant data, together with details of any plans for developing the capture and holding of additional data
10. Programme of condition surveys
11. Process for constantly updating data now or in the future

Performance Monitoring and Measurement

12. Evidence of the performance measurement processes in place or show how we plan to develop them.
13. How we intend to move towards gathering information for property performance indicators

Programme Development

14. Show the process adopted for developing the programme, including:
    - investigation of shared used
    - the key areas for investment
    - option appraisal and prioritisation
    - links with corporate objectives
    - fit of existing to future need
    - planned maintenance programme
    - priority grading of condition

Under use and disposal

15. Evidence of recent action in this area.
16. Details of assessment of utilisation to identify appropriateness, surplus capacity or surplus assets

17. Evidence of assessment for redeployment of such assets reflecting future use in corporate objectives
18. Process and programme for putting the above into place

Spending and Outputs/Outcomes Plans or programmes in place to achieve:

19. Realistic 3 to 5 year capital plan
20. Identified resources
21. Identification of gaps/Investment requirements
22. Integration of requirements of BV reviews
23. Milestones for implementation

Monitoring

24. Analysis of key issues/problem areas
25. Evidence of how monitoring, review and feedback into the next AMP will be achieved

APPENDIX 4

DETR Performance Indicators

NUMBER	1A & B
INDICATOR A	**% gross internal floor-space in condition categories A-D.**
B	**Backlog of maintenance by cost expressed as a % in priority levels in 1-4 and by value.**

NUMBER	2A, B & C
INDICATOR	**Current internal rate of return (IRR) for the portfolio expressed as an average for (a) Industrial, (b) Retail and (c) Agricultural investment property.**

NUMBER	3A & B
INDICATOR	**Annual Management costs per sq.m.** **(a) Total for operational property** **(b) Total for non-operational property**

NUMBER	4A & B
INDICATOR A	**Revenue running cost per sq.m.**
B	**To measure CO_2 emissions in tonnes of carbon dioxide per sq.m. for operational property. Provide a baseline for July 2002.**

NUMBER	5A & B
INDICATOR A **Cost Predictability**	**% of projects costs where outturn falls within + 5% of the estimated outturn, expressed as a % age of the total projects completed in that financial year.** **(Comparison of estimated outturn project costs at "commit to invest" with actual outturn cost at practical completion.**
B **Time Predictability**	**% of projects falling within + 5% of the estimated timescale, expressed as a % of the total projects completed in that financial year.** **(Comparison of estimated timescale against actual timescale for projected design and construction.**