Asset Management

City of York Council

Audit 2008/09

Date

Contents

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Summary report

Introduction

1   Effectively and efficiently managing the council's assets is an important task for a variety of reasons. These range from the more simplistic, cost savings perspective - ensuring that the assets are maintained at a level that reduces the overall lifetime costs, to the more complex perspective of contributing effectively to service delivery, in particular the land, buildings and infrastructure that are integral to supporting the delivery of council services.

2   There have been several recent publications focusing on asset management, including the Communities and Local Government, Building on Strong Foundations, and RICS 2008 Public Sector Asset Management Guidelines. This increasing focus on this area demonstrates the importance of the topic, and this is also highlighted by the inclusion of asset management within the Audit Commission's 2008/09 Use of Resources Key Lines of Enquiry (KLOE).

Background

3   At City of York Council we have assessed the asset management arrangements under previous use of resources assessments as only meeting minimum standards. These assessments are consistent with the conclusions from other elements of our work, where we have found weaknesses with the asset register and recording of asset information, and have found improvements required in the management of the capital programme.

Audit approach

4   Although there has been a large of amount research and published papers on these areas, there is no single 'off the shelf' audit approach to apply.

5   We have therefore produced a bespoke audit approach, that integrates the key elements of:

- the relevant 2008/09 use of resources KLOE;
- the Audit Commission's national report, 'Hot Property: Getting the best from local authority assets'; and
- the CLG report, 'Building on Strong Foundations'.

6   The approach is structured around three key issues:

- The extent of the Council's strategic approach to asset management
- How assets are managed to deliver value for money
- Partnership and community involvement in asset management

7   We have obtained an understanding of the current arrangements from discussions with key officers: from property services, members of the Corporate Asset Management Group, corporate finance officers, within the wider Resources directorate and finance managers, and from reviewing the documentary evidence.

Main conclusions

8   The Council has developed a strategic approach to asset management, which has had some positive impact, but is not consistently applied across the organisation. The approach is centred around a corporate Asset Management Plan and a corporate Asset Management Group of officers charged with the task of implementing it. The corporate Asset Management Plan is well structured and based on good practice principles. The corporate Asset Management Group comprises a range of appropriate, experienced officers from across the Council, recently supplemented by representatives from partner organisations. This group meets monthly with extended meetings to include partners on a quarterly basis. It provides a useful forum for sharing information and identifying opportunities to improve asset management, and also has a role in prioritising bids for capital funding.

9   However, the group relies on influence rather than direct control of asset management across the Council, and existing structures in place across the Council to ensure the principles of good asset management are not applied consistently. There are some service Asset Management Plans in place which provide links with service planning, although these have not been developed for all services and are not used to manage progress towards strategic priorities. Similarly, area Asset Management Plans have been developed for some parts of the city to ensure the needs of local people are taken into account in taking a co-ordinated approach to managing assets in the locality. However, these are few, and are being developed in a piecemeal way as opportunities arise. There are also examples of asset management taking place at a service level in departments such as Learning, Culture and Children's Services which employs its own team to manage its extensive asset portfolio. This team is engaged in the corporate approach through membership of the corporate Asset Management Group and regular meetings with corporate Property Services managers. However, the delegation of asset-related budgets to schools means this team can only play an advisory and influencing role on many issues rather than directly control the management of the department's assets.

10 Implementation plans for asset management are not consistently robust. Corporate and service AMPs are not under-pinned by robust implementation plans although area AMPs have action plans which are clearly focused on local needs and priorities. Successful delivery is often dependent on funding and other external issues.

11 The delivery of the Council's ambitions for asset management is constrained by limited financial resources and a lack of a full understanding of how assets contribute to the achievement of corporate priorities. The CRAM process enables prioritisation of capital resources, but revenue resources are not consistently prioritised to maximise their impact, although there are examples of how social and environmental outcomes have been improved.

12 The Council does not have performance management systems in place to effectively demonstrate value for money in asset management. Steps are being taken to address the gaps in information regarding the Council's asset portfolio through the development of a new asset data base. This will provide a more robust and comprehensive basis for effectively managing assets, but is not yet complete.

13 Performance indicators are not routinely used to monitor progress against the corporate Asset Management Plan. Annual benchmarking is carried out against a set of national asset management indicators which is used to identify good practice, but there is no framework of local indicators and targets to monitor progress against the objectives and priorities contained in the corporate Asset Management Plan. Although a range of relevant indicators exist, such as library usage or housing standards, they are seen as service-related indicators and are not brought together to provide a rounded view of the overall performance of the asset base.

14 The Council is failing to address the growing level of backlog maintenance. There is a repair and maintenance strategy which is managed by the corporate landlord, and aims to ensure the effective use of the Council's resources. It sets a number of objectives designed to ensure that all the Council's assets are fit for purpose by 2017. However, as repair and maintenance budgets are largely devolved to services, it is impossible to ensure that they are consistently prioritised in line with the corporate Asset Management Plan. This makes it difficult to demonstrate value for money. Anticipated reductions in the backlog of £5 million arising from the move to new office accommodation have failed to materialise as the planned move has been delayed.

15 There are examples of how the Council is improving services through improvements to its asset base. Service Asset Management Plans provide some challenge to the existing asset base, but there is no consistent approach to challenge whether assets are required, fit for purpose, and provide value for money in meeting current and future needs.

16 The Council has an established policy to work with community groups which is delivering community benefits. There are examples of assets being transferred to community groups which have had a positive impact and others are being considered, particularly in relation to those areas covered by an area Asset Management Plan. The Council is also developing its approach to working with partners to improve the effectiveness of the asset base. There are examples of shared use of buildings, but the Council recognises the need to adopt a more strategic approach. The engagement of partners as part of the corporate Asset Management Group provides a meaningful step towards this and the development of the Local Development Framework is providing a catalyst for strengthening this approach.

Detailed report

A Strategic Approach to Asset Management

17   The Council has developed a strategic approach to asset management, which has had some positive impact, but is not consistently applied across the organisation. The approach is centred around a corporate Asset Management Plan (AMP) and a corporate Asset Management Group (AMG) of officers charged with the task of implementing it.

18   The corporate AMP provides a sound basis for the effective management of the Council's assets, although systems are not in place to effectively measure progress against it. It is:

- based on best practice principles;

- sets out a clear framework for engaging elected members and senior managers, both corporate and service based, in decisions regarding the Council's asset portfolio;

- recognises the need to improve the quality and range of data regarding assets, making clear links with corporate priorities;

- identifies a number of priorities and key outputs and a range of performance indicators to be used to measure progress; and

- includes targets for some elements of asset management, eg reducing the backlog of maintenance, although they do not cover all aspects of performance.

19   The plan makes clear links between corporate priorities and the priorities and key outputs for asset management. It includes a list of key projects which underpin the delivery of a number of corporate priorities, eg review of secondary school provision, provision of learning centres, and new Council offices. However, it is not specific about how it will contribute to cross-cutting outcomes such as improved health or reducing the impacts of climate change and, as it is not based on a full understanding of the performance of the asset base, it is difficult to measure its impact.

20   The corporate AMP sets out a strategic approach, including the roles and remits of elected members and officers. Asset management is structured around the corporate AMG, which also acts as the Council's capital monitoring group (CAPMOG) which is responsible for prioritising bids for capital funding and monitoring progress. An Assistant Director who acts as the Council's corporate landlord heads the group, which comprises a range of appropriate, experienced officers from across the Council. The group has recently been supplemented by representatives from partners such as North Yorkshire Police, North Yorkshire Fire and Rescue Service and North Yorkshire and York Primary Care Trust. It provides a useful forum for sharing information, commenting on asset-related reports and identifying opportunities to improve asset management. However, the group relies

on influence rather than direct control of asset management across the Council. The Corporate Landlord, in consultation with others, has a role in suggesting and appraising options for the management of assets, but has limited decision making powers. The Executive member for Corporate Services, currently the Leader of the Council, acts as Property Champion and influences policy. Ward members are actively engaged in the development of area AMPs and issues affecting assets within their wards.

21   Structures are not in place across the Council to ensure the principles of good asset management are applied consistently. There are AMPs for some services, such as libraries, which has directed action to improve the quality of the asset base, but is not used effectively to manage progress towards strategic priorities. Progress has been made in delivering the libraries service AMP but it is not formally reported and it is unclear how it has been reviewed to take account of changing priorities since it was prepared in 2005. It puts forward proposals for developing or replacing existing library buildings to achieve the Council's vision for a three tier libraries service, but the action plan and time table cover only the short term and make no reference to funding implications, roles and responsibilities or success measures and targets. Monitoring of progress against asset management plans is limited by a lack of resources.

22   References to asset management within service plans are variable. The Children's Services Plan makes specific reference to the Building Schools for the Future (BSF) programme and integrated children's centres, which are priorities for the directorate's Planning and Resources Service. The Older People and Physical Disability Services Plan makes general references to the development of older people's accommodation through an older people's housing strategy and an accommodation strategy. However, the Waste Services Plan makes no reference to asset management or the need to develop a new residual waste treatment facility.

23   There are examples of how asset management planning is co-ordinated across service boundaries. The development of Explore learning centres and Children's Centres have provided opportunities to bring services together which are providing benefits for local people. However, there are no clearly established processes in place to ensure this co-ordination is achieved in all aspects of asset management planning. This creates a risk of opportunities to integrate services not being taken full advantage of.

24   Implementation plans for asset management are not consistently robust. The corporate AMP does not include an implementation plan to ensure that it is deliverable and the libraries service AMP does not include any clear deadlines, funding implications, responsibilities, or success measures. Area AMPs, such as the one for Tang Hall, are under-pinned by more detailed action plans which seek to make efficient and effective use of local assets to improve outcomes for the local community.

Recommendation

R1 The Council should review its approach to asset management to ensure asset management strategies are:

- Clearly aligned with corporate priorities and community outcomes;
- Based on a full understanding of the asset portfolio and its current performance;
- Underpinned by implementation plans which include specific actions, deadlines, funding implications, responsibilities and success measures to enable progress to be monitored and managed;
- Making best use of supporting strategies for individual services and local areas where these are appropriate.

Recommendation

R2 Service planning guidance should be reviewed to ensure a clear and consistent approach to considering asset management issues as part of the service planning process.

25 The delivery of the Council's ambitions for asset management is constrained by limited financial resources and a limited understanding of how assets contribute to corporate priorities. There is general alignment between the corporate AMP and the Council's financial plans, although resources have to be prioritised. This is largely achieved in respect of capital resources, but there is less corporate prioritisation of departmental revenue budgets. The Council has approved a repair and maintenance strategy, but it is not clear how realistic it is, or how it will be implemented. It includes objectives for improving the quality of assets, making better use of resources, disposing of surplus assets and ensuring all assets are sustainable. However, the strategy does not include an implementation plan, which is essential in view of the need to prioritise to ensure available funding is used to maximum effect.

26 The ability to prioritise funding is further constrained by a lack of a full understanding of how assets contribute to the delivery of corporate priorities. The Council analyses how assets will contribute to corporate priorities when considering new developments and projects, but does not have a full analysis in respect of existing assets. This is an important issue if the Council is to achieve ambitions such as addressing climate change.

Recommendation

R3 The Council should review its financial planning processes to ensure that devolved budgets relating to asset management are prioritised in a consistent way to make best use of resources in improving value for money from the Council's asset portfolio.

27 However, there are examples of how the asset base has been developed to deliver improved outcomes for local communities. The Tang Hall area AMP has been developed in partnership with local communities to identify how the asset base can be used to best effect to deliver sustainable social, environmental and economic

outcomes. Significant progress has been made, which has resulted in improved outcomes. Improved housing is delivering environmental benefits and helping to sustain the local community, whilst at the same time relocating single people and couples from larger houses, thereby making better use of the housing stock. Building improvements have enabled the transformation of the local school into an integrated young people's centre and a disused building has been brought back into use as a venue for youth services. There are also plans to upgrade the local library as a community learning hub for the East of the city.

Managing assets to provide value for money

28   The Council does not have systems in place to effectively demonstrate value for money in asset management.

29   Steps are being taken to address the gaps in information regarding the Council's asset portfolio through the development of a new asset data base. This will provide a more robust and comprehensive basis for effectively managing assets, but is not yet complete. Currently, separate asset registers are held according to function such as IT, vehicles and land and buildings and a new IT system to support asset management has been introduced. When complete, the new system will contain easily accessible information on all aspects of its property, including ownership, physical details, valuation, costs, assessments of condition and fitness for purpose and estimates of cost of work required. Checks against terrier records, deeds and land registration records have been introduced to identify inaccuracies and omissions.

30   Property reviews have been undertaken as part of the development of the new asset data base, ensuring information is up to date. Reviews are also carried out as part of the development of area and service AMPs. Capital valuations are carried out in accordance with CIPFA requirements, but there is no comprehensive programme of property reviews used to ensure information is continually kept up to date to enable the Council to manage assets more effectively.

Recommendation
R4   The Council should consider the development of a programme of property reviews to ensure information relating to the asset portfolio is kept up to date to enable the Council to manage assets more effectively. These reviews should take account of service, community and corporate issues to ensure all implications are recognised.

31   Performance indicators are not routinely used to monitor progress against the corporate AMP. The plan includes a range of indicators used to measure performance, including comparisons with benchmarks. However, there are few targets, making it difficult to assess whether performance is satisfactory. Although there are some targets in place, they do not cover all aspects of performance, are not focused on outcomes and impact, and are not effectively used to challenge and manage performance.

32   Performance indicators are prepared annually for benchmarking purposes and used to identify good practice but are not used to regularly monitor performance. Some

service-based indicators exist, such as library usage and housing standards, but they are not brought together as a means of measuring the overall performance of the asset base. The corporate AMP refers to an intention to publish an annual report to summarise performance against asset management priorities and targets, although no such report has been produced to date.

33 The Council is failing to address the growing level of backlog maintenance. The new asset data base will provide a more comprehensive, detailed and up to date position and a fully costed plan is being developed. The repair and maintenance strategy, managed by the corporate landlord, aims to ensure the effective use of the Council's resources. It sets a number of objectives designed to ensure that all the Council's assets are fit for purpose by 2017. However, as repair and maintenance budgets are largely devolved to services, it is impossible to ensure that they are consistently prioritised in line with the corporate Asset Management Plan. This makes it difficult to demonstrate value for money. Anticipated reductions in the backlog of £5 million arising from the move to new office accommodation have been delayed.

Recommendation

R5 The Council should review the current process for developing capital and revenue repair and maintenance budgets to ensure an appropriate balance between corporate and devolved budgets as a means of addressing the increasing level of backlog maintenance.

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34 There are examples of how the Council is improving services through improvements to its asset base. There is a specific focus on reducing health, safety and security risks and improving access to services, eg compliance with DDA requirements. Major investment in integrated children's centres and new schools is upgrading and modernising facilities, improving access to services and contributing to improvements in educational attainment.

35 The capital programme is directly linked to community priorities which include protecting the city's heritage and, more recently, responding to the effects of climate change. The Eco Depot is a clear example of how environmental impacts are being mitigated. The implementation of the Tang Hall Area AMP is upgrading and modernising facilities such as the local school and library, and having a positive impact on the environment through improving the quality of the built environment and developing new housing developments which incorporate energy efficiency measures and make use of sustainable materials. The Danesgate Skills Centre includes a nature reserve which is maintained through input from a local 'Friends of' group.

36 However, there is no consistent approach to challenge whether assets are required, fit for purpose, and provide value for money in meeting current and future needs. Some mechanisms are in place but are not routinely applied across the entire asset base. The corporate AMP refers to the role of Property Services in challenging the asset base and this is applied, for example, in the development of area AMPs and service AMPs. The AMG also considers options for the use of assets no longer required by services. These include options for the use of the former Lowfields School site and land at the rear of Acomb library. The commercial property strategy sets out criteria for holding non-operational property and identifies properties

suitable for potential disposal. However, this process is largely financially driven, and it is not clear to what extent financial benefits are balanced with the impact on outcomes for local people.

Recommendation
R6 The Council should develop a performance management framework to measure the effectiveness of its asset portfolio in providing value for money. This should include: • A comprehensive suite of indicators to enable progress against corporate priorities to be measured and managed. This should incorporate existing service-based indicators which are relevant to asset management; • Meaningful targets against each indicator to allow monitoring of progress and impact; • Mechanisms to identify and challenge under-performance; • A process to challenge whether assets are fit for purpose; • Regular reporting of the performance of the asset portfolio and the extent to which it has contributed to the achievement of improved outcomes for local people.

Partnership and community working

37   The Council has an established policy to work with community groups which is delivering community benefits. There are examples of assets being transferred to community groups which have had a positive impact and others are being considered, particularly in relation to those areas covered by an area Asset Management Plan.

38   The Council has adopted a strategic approach to working with the voluntary sector and community groups regarding the transfer of assets for community use. The approach enables assets to be transferred on long leases to community groups provided criteria regarding access and management of the asset are satisfied. This builds on the success of individual projects, such as the Oaken Grove Community Centre in Haxby, where the building is now well used and provides a focal point for the local community.

39   The St Clement's Hall refurbishment project is a good example of how the Council has worked with a local community group and accessed external funding to bring a listed building back into community use in a way which provides good value for money. The implementation of the Tang Hall area AMP also includes proposals for considering the transfer of the community hall into local community ownership, subject to compliance with the Council's policy. Both initiatives relied upon close engagement with local communities which has influenced plans for how assets are to be used and developed in the future.

40   The Council is also developing its approach to working with partners to improve the effectiveness of the asset base. There are examples of assets being jointly used

with partners, including police and health presence in some schools and the St Clement's Hall refurbishment project includes a proposal for the local community police to have a base in the building. However this is not yet part of a long-term strategic approach to improve asset utilisation or access to services. Partners have begun to attend meetings of the Corporate Asset Management Group and are keen to pursue opportunities for joint working, but this is at an early stage.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 The Council should review its approach to asset management to ensure asset management strategies are: • Clearly aligned with corporate priorities and community outcomes; • Based on a full understanding of the asset portfolio and its current performance; • Underpinned by implementation plans which include specific actions, deadlines, funding implications, responsibilities and success measures to enable progress to be monitored and managed; • Making best use of supporting strategies for individual services and local areas where these are appropriate.	3	Corporate Landlord, CAMG, Council members	Yes	Undertake a full review and audit of the existing approach and its effectiveness, information held Consider new structure for delivering asset management including • establishing a high – level Asset Board • implementation plans in all Area and Service AMP's and individual projects taking into account R1 points Consult through CAMG, external partners and Council members on proposed changes Trial on current Area and Service AMP's and major projects Review effectiveness Include changes in new 5 year Corporate AMP approved by Executive	Initial report to CAMG, Executive Jan 2010 Adoption of new Corporate AMP Sep 2010
8	R2 Service planning guidance should be reviewed to ensure a clear and consistent approach to considering asset management issues as part of the service planning process.	3	Corporate Landlord CMT Service Managers Property APM	Yes	Carry out review of current situation Feed into corporate review of service planning to ensure all service plans have a section on asset management which is approved by Corporate Landlord Ensure the outcomes of the Service AMP programme feed into service plans	Spring 2010 Annual review

Page no.		Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R3	The Council should review its financial planning processes to ensure that devolved budgets relating to asset management are prioritised in a consistent way to make best use of resources in improving value for money from the Council's asset portfolio.	2	Corporate Landlord Asset Board and CAMG Finance managers	Yes	Link to More for York project on Facilities Management Carry out review of current provision and its effectiveness Produce a policy for a more corporate and consolidated approach to the use and allocation of property revenue and capital budgets Incorporate the outcomes into the 2011/12 Council budget process Have phased introduction with full delivery on the move to the new Council offices (linked to FM outcomes)	Spring 2010 Summer 2010 Summer 2012
9	R4	The Council should consider the development of a programme of property reviews to ensure information relating to the asset portfolio is kept up to date to enable the Council to manage assets more effectively. These reviews should take account of service, community and corporate issues to ensure all implications are recognised.	3	Corporate Landlord Asset Board and CAMG, Property Services APM	Yes	Link to More for York project on Day-to-Day Management and Information Systems Carry out review of information required to effectively manage the assets Implement process for collation of this information in a consistent way accessible through a corporate database Ensure funding is available to carry out this programme and to keep the information current Include programme in new 5 year Corporate AMP	Spring 2010 Sept 2010
10	R5	The Council should review the current process for developing capital and revenue repair and maintenance budgets to ensure an appropriate balance between corporate and devolved budgets as a	1	Corporate Landlord, Asset Board and CAMG, Property Services,	Yes	Link to More for York project on Facilities Management and R3 Undertake review of existing Repair and Maintenance Strategy looking at outcomes and effectiveness	

Detailed report

Page no.	Recommendation		Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
		means of addressing the increasing level of backlog maintenance.		Executive		Include recommendations from R3 and legal/finance views in producing a revised Repair and Maintenance Strategy	Summer 2010
						Obtain approval from Asset Board and Executive on the new strategy which contains implementation plan and resource requirements	Spring 2011
11	R6	The Council should develop a performance management framework to measure the effectiveness of its asset portfolio in providing value for money. This should include: • A comprehensive suite of indicators to enable progress against corporate priorities to be measured and managed. This should incorporate existing service-based indicators which are relevant to asset management; • Meaningful targets against each indicator to allow monitoring of progress and impact; • Mechanisms to identify and challenge under-performance; • A process to challenge whether assets are fit for purpose; • Regular reporting of the performance of the asset portfolio and the extent to which it has contributed to the achievement of improved outcomes for local people.	3	Corporate Landlord, Asset Board and CAMG, Resources APM, Finance	Yes	Performance Indicators Review all PI's currently collected and audit for relevance, impact and links to Corporate priorities Produce new suite of PI's which effectively measure asset performance focussing on success criteria with meaningful short and long term targets	Spring 2010
						Challenge Consult with stakeholders on their criteria for performing and fit-for-purpose assets and audit against current processes Devise a mechanism that meets stakeholders requirements and gives authority to the Corporate Landlord to initiate changes as a result of outcomes Trial this mechanism on selected properties and review/revise to produce final version	Summer 2010
						Performance reporting Devise a process which incorporates outcomes and actions from all	Summer 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					Corporate/Service/Area AMPs and individual projects into a single performance report with PI's Consult with stakeholders, including CAMG to see if meets requirements Identify resource requirements to produce this report	
					Obtain Asset Board approval to new Performance Management Framework and include in new 5 year Corporate AMP including frequency and type of reporting	Summer 2010