

# **Report to the Cabinet**

**Report reference: C/023/2007-08.**  
**Date of meeting: 16 July 2007.**



**Portfolio: Finance, Performance Management and Corporate Support Services.**

**Subject: Asset Management Plan 2007-2012.**

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## **Recommendation:**

**That the draft Asset Management Plan 2007-2012 be recommended to the Council for adoption.**

## **Report:**

1. The updated Asset Management Plan 2007 - 2012 and this Summary are the key deliverables resulting from analysis undertaken by the Institute of Public Finance Ltd. This analysis featured a number of key aspects, including:

- (a) a comprehensive review of the existing plan (2001-2006) and the environments (both current and future) which it supports;
- (b) a review of current objectives and strategies which facilitate the delivery of effective asset management within the organisation;
- (c) option appraisal; and
- (d) a definition of the key considerations in the development of a programme for asset management.

2. Copies of the updated Asset Management Plan 2007-12 have been distributed to all members of the Cabinet, and a copy has been placed in the Members' Room. Further copies can be obtained from Democratic Services.

## **Introduction, Context and Link to Other Plans:**

3. The updated Asset Management Plan (AMP) incorporates the latest revisions to the Council's 5-Year Capital Strategy. Further updates are expected to be needed to reflect outcomes of the Asset Condition Survey, which is near completion, and annual review of the Council's Planned Maintenance Programme.

4. Reassuringly, the Council has fully adopted the corporate AMP (2001 - 2006), which is underpinned by the Valuation and Estate Management Service Plan. In addition to ensuring a high standard of property is available to support the delivery of council services, the AMP dovetails with the aims of a number of other key strategies within the Council, including the Community Strategy, the 5-Year Council Plan and the Capital Strategy.

5. Whilst the Cabinet have overall responsibility for ensuring adoption of the Asset Management Plan, lead responsibility is devolved to the Portfolio Holder for Finance, Performance Management and Corporate Support Services (FPM & CSS). Strategic management of the Council's land and property assets are the operational responsibility of the Acting Head of Estate Management, the identified Corporate Property Officer (CPO) within the

authority. Other groups within the authority who have input into the AMP and responsibility for assisting in its delivery are the Asset Management Working Party, the Office Accommodation and Depot Working Groups, and the Use of Resources Working Group.

### **Corporate Asset Policy and its Environment:**

6. A key element of the AMP is the importance of capital receipt income to support the Council's Capital Strategy and Capital Programme. There are a number of key aims within the Corporate Asset Policy therefore which are aimed at generating disposal or potential for disposal of surplus land and building assets. In order to ensure these aims are met, regular communication is made by the CPO with other services who have asset management responsibilities (in accordance with the authority's cross-cutting themes) together with external property and consultancy services.

7. Property Asset Management within the Council is based on a number of key principles founded on fundamental assumptions, such as the promotion of shared use of accommodation where appropriate, adoption of key national performance indicators to measure asset management performance, a strong commitment to consultation with key stakeholders, and aspiration to achieve an excellent rating under CPA.

8. Since the initial AMP was developed there have been a number of developments within the environment in and around Epping Forest, which potentially have implications on property in the District generally and on the Council's property portfolio. They include:

- (a) demanding new central government targets for affordable housing;
- (b) opportunities for regeneration and redevelopment arising from the success of the London 2012 Olympic Games bid; and
- (c) the development of a new portfolio of performance measures based on condition, suitability and sufficiency to complement the approach taken within the AMP.

### **Existing and Future Services and Accommodation:**

9. A fundamental change in perception has been achieved and property is now very much seen as being a corporate resource, with asset management, investment and maintenance a key element in all strategic and operational plans. This is evidenced by improved income from rents and receipts from disposal of assets.

10. An accommodation strategy is in development, which will cover a number of key aspects such as requirement, location, access and space. In addition, a rolling programme of review is also proposed which will ensure that all opportunities for improvement of accommodation and facilities, both industrial and commercial, together with the creation of affordable homes and the release of land and property, are sought out, and that robust option appraisal is undertaken when examining options.

11. Partnering in the use and occupancy of property is also a key objective of the AMP, and a number of existing and potential options exist which will improve not only efficiency in use but the overall quality and accessibility of services.

12. Excluding HRA Housing Stock, the Council has a total portfolio of land and properties valued at £72.55 million, of which £38.80 million is operational. Rental Income from these assets has risen almost 10% during 2006-07 to £3.874 million per annum. Full implementation of rent reviews and lease renewals and reletting vacant properties as they arise, coupled with improving property markets, has had a key impact on the Estate Management Business Plan, and effective performance continues to be monitored.

13. The Council has a robust capital management process in place to ensure successful delivery of projects. In addition, achievable opportunities for disposal of surplus assets continue

to be identified, which has resulted in significant capital receipts to the authority.

14. Survey and maintenance of all property continues to be a strong feature within the authority, with the implementation of a 5-Year Planned Maintenance Programme, an approved Programmed Works budget and a programme of Disability Discrimination Act (DDA) compliance works within all public-accessible buildings used by the authority.

15. A proportionate approach is taken to gap analysis between existing and future operational needs. Short and long-term corporate asset management implications have been assessed, together with future investment needs. The overall aims of the Community Strategy and Corporate Plans are recognised within the AMP, and member structures, officer working groups and consultation with the public help to ensure that these are preserved.

#### **Review, Challenge and Option Appraisal:**

16. A programme of rigorous review and challenge has been developed. It contains a number of key features including:

- (i) Gap Analysis - Council-wide consistency in use of space / occupancy;
- (ii) Strategy & Objectives - Ongoing review;
- (iii) Responsibilities - Clear member / officer responsibilities and a number of working groups all supporting the AMP framework;
- (iv) Staff - The Valuation and Estate Management Service currently employ 7.5 FTE staff; and
- (v) Decision-Making - Review has included working with the private sector to develop regeneration, release further accommodation and optimise receipts and rental income.

17. The Council re-assesses its capital priorities on an annual basis. Where found appropriate to strategic objectives these are priorities with regard to resources made available by the Cabinet.

18. A number of Best Value reviews carried out recently have an impact on the AMP and Capital Strategy, including those affecting the HRA Stock Repairs and Maintenance, Leisure, Waste Management, and Projects and Partnerships.

19. Within Option Appraisal, a structured system for identifying needs / opportunities has been implemented in parallel with consideration of corporate objectives. This enables all options to be evaluated in a consistent and comparable way. Whole-life costs are also a fundamental consideration of any option, which ensures all revenue consequences are taken into account in future financial planning. A key Option Appraisal objective for the Council is to continue to identify and secure opportunities for partnering in order to achieve Best Value.

20. Consultation is also an important feature, and there are a number of examples in place where the Council has already maximised cross-cutting partnership working. This joint working extends beyond the geographical boundaries of the District, in order to provide a more cohesive approach to achieving objectives, sharing expertise and generating economies of scale.

21. As well as undertaking capital projects itself, the Council will continue to seek out opportunities for delivering and procuring capital assets through the private sector and, for large schemes, will ensure the adoption of Egan principles to continue to accrue a number of benefits.

#### **Asset Management Programme:**

22. In terms of generating income and funding asset creation and improvement a number of opportunities are available, and the ability to undertake capital projects often depends on such

funding. To maximise this potential, the Council accurately forecasts in its Capital Strategy the likely funding to become available over the period of each 5-Year forecast, which is reviewed at least quarterly, and adjustments to the programme are made accordingly.

23. The Council has a proven track record in delivery of capital schemes, of which there are many historic and current examples. The Council has set a Capital Plan which, including Housing, aims at investing almost £51 million over the 5-Year period to 2011. Over £18 million (almost 36%) of this gross expenditure will be funded from Capital Receipts. Currently, the Council hold a high amount of Capital Receipts, interest from which is used to support the General Fund Revenue Account. Should the receipts be re-invested then this will have an impact on revenue income. In recognising this, therefore, the Council has adopted a policy of seeking out revenue-generating assets in investment decisions, in order to mitigate such an impact.

24. Following the Option Appraisal process, the Council has eight key capital priorities, ranked in order of strategic importance with regard to overall Council aims and objectives. These go from "Improving Housing Stock" and "Delivering Quality Public Services through e-Government" at the top, to "Improving Private Sector Housing" at the bottom.

25. The current 5-Year Planned Maintenance Programme (PMP) commenced in April 2007, commencing with a year 1 budget of £118,000. The programme was produced in consultation with professional consultants and includes all relevant buildings' gross internal floor areas, a full portfolio of CAD drawings and a prioritised condition reference. The level of planned maintenance in the authority is increasing and is almost at the same level as ad-hoc and routine maintenance. The AMP will continue to develop planned maintenance in this way, subject to sufficient budget, with the aspiration of increasing the PMP to 70% of overall maintenance within the organisation.

26. Finally, it is essential that there are clearly defined responsibilities for implementation of the AMP. Areas for improvement continue to be identified through BV reviews and a number of other areas will be identified through Service Plans. 'Whole-life' value options will be evaluated by both the Asset Management Working Party, as well as the Use of Resources Working Party, in order to ensure effective and successful delivery of value for money and congruence with the AMP. The Portfolio Holder for Finance, Performance Management and Corporate Support Services will monitor the progress of the AMP.

27. During the last 6 months of its life, a review will be carried out on the effectiveness of the AMP's framework and any outstanding actions and objectives will be incorporated into a new plan.

28. The Cabinet is asked to consider the draft AMP, attached as Appendix 1(to follow), and recommend its adoption to the Council.

#### **Statement in Support of Recommended Action:**

29. Adoption of a comprehensive AMP should enable the Council to secure the best possible return on its assets - both in terms of revenue and capital value and in terms of the suitability and sustainability of its buildings - to meet the Council's changing service agenda and long-term strategic aims.

30. The draft AMP takes into account feedback from Government Office East on the previous AMP and incorporates the latest guidance on Asset Management Planning. A comprehensive and current AMP will attract credit as part of the next Use of Resources assessment.

#### **Other Options for Action:**

31. To recommend the draft AMP to the Council as produced by IPF Consultancy. Alternatively, to amend the AMP and recommend a revised draft to the Council.

**Consultation Undertaken:**

32. The AMP has been produced in consultation with all Council services and in association with other member authorities in the AMP Network.

**Resource implications:**

**Budget provision:** As set out in the AMP.

**Personnel:** Valuation and Estate Management Service and IPF Consultancy.

**Land:** As set out in the AMP.

**Community Plan/BVPP reference:** As set out in the AMP.

**Relevant statutory powers:** As set out in the AMP.

**Background papers:** Asset Management Planning File 1046, Guidance Notes and AMP Network Papers.

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** N/A.

**Key Decision reference (if required):** N/A.