

APPENDIX 3

CORPORATE ASSET MANAGEMENT PLAN 2014/15

1. INTRODUCTION

- 1.1 The Council's Corporate Asset Management Plan describes the arrangements which the Moray Council has made for Asset Management Planning; links the asset management planning process to other key concerns of the Council; highlights progress in the preparation of Asset Management Plans for the six main categories of asset, and includes an Action Plan for the coming year.
- 1.2 The Plan also seeks to make explicit the links which exist between the Asset Management Planning process and the Financial Planning process, particularly Capital Planning, and this is addressed throughout the Plan.
- 1.3 The Corporate Asset Management Plan has been prepared according to the guidelines set out in the CIPFA Guide to Asset Management and Capital Planning ("the CIPFA Guide").

2 BACKGROUND

- 2.1 The Asset Management Working Group was established to develop and oversee overall asset management arrangements within Moray Council. A key task for the Group is to assist in the development of proposals for capital expenditure based on asset management principles. These proposals are then fed into the Council's financial planning process. They aim to establish appropriate expenditure plans for the medium term. On 17 January 2012 the Council approved a ten-year Capital Plan. The Capital Plan for 2013/14 was reviewed and a revised version approved by Council on 13th February 2013. The Capital Plan for 2014/15 was reviewed and a revised version approved by Council on 12 February 2014. The ten-year Plan will be reviewed as part of the preparation of the Council's medium term plan, which is being led by the Area Based Review Working Party.
- 2.2 The Group is also responsible for developing the corporate asset management framework and for overseeing progress on the development of individual asset management plans. Progress on the development of asset management planning is reported to the Policy and Resources Committee, which approves the Corporate Asset Management Plan on an annual basis.

2.3 The key drivers for asset management planning are listed below:

Driver

Condition	This requires to be measured for each class of asset, and each asset within that class graded. The Council should set targets for condition for each asset class.
Suitability	This assesses whether or not an asset is fit for purpose.
Sufficiency	This is about asset capacity rather than asset use and reflects demand for the asset.
Revenue Costs	The costs of operating the asset.
Accessibility	Both physical accessibility – eg with the duty to make reasonable adjustments under the Equalities Act 2010 – and whether specialist knowledge is required to operate the asset, potentially restricting its use.
Value	This could be the book value of the asset, the market value or replacement value.

- 2.4 Asset Management Planning is closely linked to Capital Planning, and has come of age in local government under the Prudential Code. Long-term affordability is therefore a major concern for asset management planning. The recognised 6 drivers listed above all impact on affordability. The Corporate Asset Management Plan places this under the umbrella of sustainability and this will be discussed from three aspects – financial sustainability, environmental sustainability and economic sustainability – in section 3 of the Plan.
- 2.5 As well as affordability, the Asset Management process aims to achieve efficiency in terms of use of assets, and maximisation of value in terms of asset disposal.
- 2.6 The CIPFA Guide identifies the six main categories of asset for asset management planning as: property, open space, roads and associated structures, housing, fleet and ICT. Asset Management Plans should be based on robust data about the number of assets in each category; their condition; suitability for use; sufficiency for use, and revenue cost of use. They should set targets for performance; relate to service plans for future delivery of service; identify investment needs; support the Single Outcome Agreement or other Council policy priorities.
- 2.7 In order to better reflect local priorities and operational needs two of these main categories have been subdivided. Property is subdivided into the School Estate, Industrial Estates and Offices and Other properties; Roads etc is subdivided into Roads and directly associated infrastructure; Harbours; Flood Alleviation Schemes.

- 2.8 Assessment of current progress on preparation of asset management plans for each asset type is key to the actions proposed to develop asset management during future financial years and this is summarised in section 4 of the Plan
- 2.9 The Action Plan for 2014/15 and 2015/16 forms section 5 of the Plan.

3. SUSTAINABILITY

3.1 Financial Sustainability

- 3.1.1 For the Council to be able to assess the sustainability of its asset base, it must have good quality information on the condition of its assets and use this to estimate the cost to the Council of maintaining each asset over its expected life.
- 3.1.2 Good progress has been made in obtaining and analysing condition data on the Council's assets. In order to use this information as a predictive tool, the Council must set target standards for its assets – the higher the standard, the more costly the asset will be to maintain to that standard.
- 3.1.3 The Capital Strategy approved on 10 May 2011 identified the need to set target standards for the School Estate and for the road and associated infrastructure network. These assets were identified as potentially the most costly and because of the high level of backlog maintenance identified as the asset areas posing most risk to the Council.
- 3.1.4 Target standards for the School Estate were approved by Council on 28 September 2011. Target standards for roads were approved by Council on 11 February 2014.
- 3.1.5 From this information the costs of maintaining the School Estate, other buildings, roads and associated infrastructure, housing and fleet to currently approved standards for the current asset base have been developed.
- 3.1.6 With the exception of the Council's ring-fenced Housing Revenue Account, the investment required to improve the current asset base to or to maintain it at the agreed standards is not sustainable in the medium to long term. The Council is projecting a balanced budget for 2015/16 but it is anticipated that in 2016/17 savings will require to be made in the operation of the Council's services. These savings may impact on asset management requirements.
- 3.1.7 The Council's Capital Strategy sets out the principles underlying the Capital Planning process and in doing so describes how Asset Management Planning and Capital Planning inter-relate.

3.2 Environmental Sustainability

- 3.2.1 The Council's 10 year Plan includes Carbon Management as a priority and has a target of reducing CO2 from building usage by 20% over the life of the Plan.
- 3.2.2 In prior years, the Council has invested in energy efficiency projects and benefited from funding from the Central Energy Efficiency Fund and a capital grant from the Scottish Government. Energy efficiency savings of 2% year on year reduction up to the end of 2014/15 were approved by Policy and Resources Committee on 4 June 2011. The Property Asset Management Group conducts post-project evaluation reviews of energy efficiency projects.
- 3.2.3 Environmental considerations will remain an important consideration in the development of individual asset management plans and in developing individual projects. Proposals for capital projects will seek to maximise environmental benefits, balanced with cost to the Council. The development of the Annexe notably incorporated energy efficient features and significantly increased the environmental performance of the building.
- 3.2.4 This Committee on 10 June 2014 approved the appointment of energy advisors with support from CIFAL to develop how the Council's energy strategy should develop in future.

3.3 Economic Sustainability

- 3.3.1 Sustainable Economic Development is the Council's first priority in the 10 year Plan. The Council aims to support a sustainable economy in Moray through various policy initiatives designed to support economic development locally and in particular through the development of the Moray Economic Partnership.
- 3.3.2 For Asset Management Planning, economic sustainability has three strands: ensuring the Council's asset management planning process supports the economic development process by joined-up planning with partners in the Moray Economic Partnership; planning asset management which directly supports economic development (such as developing Industrial Estates or facilitating development at Buckie harbour), and managing the assets which underpin economic growth – roads, schools, housing.
- 3.3.4 Asset disposal can support financial sustainability by maximising capital or other financial receipts. Economic sustainability can also be assisted by facilitating community development and the Council's Community Asset Transfer process seeks to support local sustainable community ventures.

4. ASSET MANAGEMENT PLANS

4.1 Property

4.1.1 The School Estate

The Council approved target grades of B for both condition and suitability for the Moray School Estate. Improvements designed to achieve these targets were included in the Capital Plan 2012 – 2022. Due to the lead-in period to achieve this there will continue to be a need for significant revenue maintenance of the School Estate during the period of upgrade, and thereafter continued increased expenditure to maintain the schools at the target standard. This has been quantified and noted as a significant budget pressure. Consideration of the schools estate is part of the sustainable education review. Two new schools have been built under a PPP arrangement and are operative. A further new build is underway as part of a Scottish Futures Trust initiative.

4.1.2 Non-school properties

A Property Asset Management Strategy was approved by Policy and Resources Committee on 11 October 2011. The action plan in the strategy identifies the timescale for production of Property AMPs and this will be monitored by the Property Asset Management Working Group. Service Property AMPs will underpin the Corporate Property Investment Plan, which will provide information to feed into the financial planning process. A review of the current property portfolio has identified significant investment requirements and a potential solution to the apparent shortfall in funding, by rebalancing across capital and revenue. This will be considered as part of the financial planning process. The work undertaken by the Area Based Review Working Party will be the key to future developments in this area.

4.1.3 Office Accommodation

The Designing Better Services Property Theme included the Council's office accommodation requirements and this has been the main vehicle to date for developing property asset management planning for offices from the angle of sufficiency. The Council recognised that there was scope to achieve efficiency savings from the office estate by adapting offices to more flexible patterns of working. The DBS business case for Elgin office accommodation was based on achieving such efficiencies. The completion of this project was reported to this Committee on 7 October 2014 (item 10 refers).

4.1.4 Other operational buildings

The Property Asset Management Working Group leads development of asset management planning in this area. The Council recognised the need to invest in its leisure facilities in the Capital Plan for 2012 – 2022.

4.1.5 Industrial Estates

The annual report on Industrial Estates has been the vehicle for asset management planning for the Council's industrial portfolio. The latest report was to Economic Development & Infrastructure Services Committee on 30 September 2014 (item 13 refers). This report considered the performance of the Industrial Estate in 2013/14. Proposals for development of the Estate will be considered as part of the Council's financial planning process/ Proposals for development are assessed on the basis of Return on Capital Employed, as well as on demand for premises.

4.2 Open Space

4.2.1 The category of Open Space is a relatively recent addition to the categories for Asset Management Planning, and consistent, complete and robust information has yet to be established, although there is a variety of information held by different departments. This has not been considered to be a high priority for the Council's asset management process. Potentially, work in this area could be seen as mitigating the risk to the Council of an unexpected asset failure, such as occurred with the breach to the Lossiemouth Harbour Wall. In reality, such asset failures are most likely to be caused by unpredictable external forces, such as the weather.

4.2.2 Two cases in point, which have recently been reported to Economic Development and Infrastructure Services Committee are Seatown Cullen footbridge (ED&I 5 August 2014 item 9 refers) and Garmouth viaduct (30 September 2014 item 9 refers). There is a need to identify a proportionate response to the risk of unexpected asset failure and to assess the potential liability to the Council of its main Open Space assets and to ensure that these are addressed through the financial planning process.

4.3 Roads

4.3.1 Roads and Associated Infrastructure

A Roads Asset Management Plan was completed in April 2012, following a nationally developed model, and proposed expenditure under that Plan was reported to Economic Development and Infrastructure Services Committee on 13th March 2013 (item 5 refers). The Plan identified areas where asset infrastructure required improvement, and identified the need for asset condition standards to be approved by Council. The Plan addressed the specific lifecycle requirements of 5 different component assets: carriageways; footways, footpaths and cycle tracks; structures (road bridges, foot bridges and retaining walls); street lighting, and street furniture. The information on condition contained in the Plan was used in the preparation of the Capital Plan 2012 – 2022 as an indication of the required level of investment in Moray's roads. This was modified in the preparation of the Financial Plan for 2014/15

in which a target of reducing the standard of Moray's roads to the Scottish average over the next ten years was set.

- 4.3.2 The Council participates in SCOTS/CSS Wales partnership to continue development of Roads Asset Management Planning. A national Accounts Commission report suggested that all councils should set milestones for road improvement in their areas to assist in monitoring local roads asset management plans. The Council's target, as a target relative to other Scottish Local Authorities road standards, requires monitoring and potential modification to respond to the impact of Roads Asset Management across Scotland.

4.3.3 Harbours

The Council has recognised the need to invest in harbours to (a) upgrade the infrastructure and facilities and (b) facilitate economic development. It is intended that these strands will be brought together into an asset management plan for harbours. There is good information on the condition of the harbours. A Masterplan for Buckie harbour has recently been commissioned and it is anticipated that this will be published in November 2014.

4.3.4 Flood Alleviation Schemes

The major Flood Alleviation Schemes are the most costly items in the Capital Plan. They conform to Asset Management best practice by including whole life costing of their development.

4.4 Housing

- 4.4.1 The asset management process is well developed in Housing. The Standard Delivery Plan informs the Council's Housing Business Plan, and this is updated annually to reflect progress to date and revised expenditure requirements arising from service developments and changes in the environment in which the service operates. The objective of the Housing Standard Delivery Plan is to achieve the Scottish Housing Quality Standard by April 2018, ahead of the nationally-set target of 2023. Progress towards this target is reported annually, to the Scottish Government. A Housing Asset Management Strategy was approved in February 2010, and the investment programme for 2013/14 was approved when the rent level was set by Special Council on 13th February 2013.
- 4.4.2 The Council's 10 year Plan includes Housing as a priority, with number, condition and energy efficiency of the housing stock all identified with targets. The Council has agreed that the Council will build a further 500 houses during the next 10 years. These houses will be delivered with funding support from the Scottish Government as part of the Moray affordable housing supply programme. The housing will be built to high levels of sustainable design and energy efficiency, achieving the "silver" level of Building Standards. The

programme will be overseen by a Project Board comprised of officers from key Council services, including Housing and Property, Finance, Legal Services and Planning. The details of the programme will be developed as part of the Council's Strategic Housing Investment Plan (SHIP).

4.5 Fleet

- 4.5.1 A first draft Fleet Asset Management Plan was developed and used in the drafting of the Capital Plan 2012 – 2022. That draft identified further actions required to strengthen the Fleet Asset Management Planning process, which is driven by departmental needs, and Fleet service user departments were consulted on a revised AMP. The current policy for replacing vehicles is to plan to replace them at the age assessed as being, on average, the optimum replacement age for that type of vehicle. The allowance in the capital plan is based on that desktop calculation. Actual replacement is made by reviewing the performance of each individual vehicle and projected departmental need.
- 4.5.2 The DBS Transport, Vehicle and Plant theme set an efficiency target for the reduction of the Councils owned fleet by 5%, and work is progressing towards that. The Asset Management Plan seeks to consolidate progress in this area. It can therefore be seen that good asset management practice is being followed in terms of life-cycle costing, sufficiency and efficiency.
- 4.5.3 A desk-top review of the replacement requirements of the Council's fleet has been carried out recently as part of the process of revising the Council's ten year Capital Plan.

4.6 ICT

- 4.6.1 The use of ICT underpins all of the Council's activities, to a greater or lesser extent. It is recognised that robust asset management planning for this area is of great importance. Detailed information was used in the development of the Capital Programme 2012 – 2022, but development of a formal Asset Management Plan is not intended until after implementation of DBS, which is heavily reliant on ICT for its success.
- 4.6.2 Work is currently underway to review the basis for maintenance and replacement of ICT equipment in schools.
- 4.6.3 The requirements of Public Sector Network accreditation have impacted on the development of the Council's ICT programme of upgrades. Asset Management Planning in this area is heavily influenced by external factors, including supplier support for products.

5. ACTIONS PLANNED FOR 2014/15 and 2015/16

Actions brought forward from 2013/14

- Corporate Strategy and Standards: review against other Council's Corporate Asset Management Plans.
- 10 year capital plan: review for affordability following guidance from the Area-Based Review Working Party
- Further develop reporting of risk

AMP improvements

- Review information in Appendix 2 for completeness and accuracy as to the current position
- Use updated information to identify areas for improvement

AMP developments

- Open Space – begin to develop asset management plans for areas where issues have been identified: remote bridges and footpaths; war memorials
- Develop asset management planning for harbours
- Provide briefing to senior managers on managing ad-hoc requests at committees in relation to new capital projects