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REPORT TO: POLICY & RESOURCES COMMITTEE ON 4 NOVEMBER 2014

SUBJECT: CORPORATE ASSET MANAGEMENT PLAN

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

1.1 To provide Committee with a report made against the Corporate Asset Management Plan for 2013/14 and consider targets for 2014/15 and 2015/16.

1.2 This report is submitted to Committee in terms of Section III (A)(34) of the Council's Administrative Scheme relating to the formulation, implementation and review of asset management policies and practices.

2. RECOMMENDATION

2.1 It is recommended that Committee:

- (i) Notes the status of Asset Management Plans for each type of asset;**
- (ii) Considers and notes the report of work done to date to meet the targets set in the Corporate Asset Management Plan for 2013/14.**
- (iii) Approves the targets set in the Corporate Asset Management Plan for 2014/15 and 2015/16 as set out at Appendix 3; and**
- (iv) Approves the updated Capital Strategy as set out at Appendix 4.**

3. BACKGROUND

3.1 Policy and Resources Committee approved the Council's first Corporate Asset Management Plan on 23 September 2008 (para 6 of the Minute refers) and annual updates thereafter. The updated plan for 2013/14 was approved by Policy and Resources Committee on 4 June 2013 (para 5 of the Minute refers).

- 3.2 The current Capital Strategy was also approved by Policy and Resources Committee on 4 June 2013 and amended by Special Council on 11 February 2014 (para 3 of the Minute refers).

4. REPORT ON PROGRESS

4.1. Asset Management Plans

- 4.1.1 The process of developing Asset Management Plans, setting out what is involved at various stages, is set out in diagrammatic form as **APPENDIX 1** to this report. The diagram indicates the iterative nature of the process and the relation to the Capital Strategy and Capital Plan for the Council.

- 4.1.2 The CIPFA Directors of Finance Guide to Asset Management and Capital Planning in Local Authorities identifies 6 categories of asset for which Asset Management Plans should be prepared:

- Property
- Open Space
- Roads and Infrastructure Assets
- Housing
- Fleet
- ICT

- 4.1.3 Locally, the property category is split into schools and offices and other properties. It is intended that Property staff will assist service departments to prepare service-specific property asset management plans. Property staff have made presentations to service departments on this issue. However, to date no department has come forward with a strategic vision for their property. Roads and Infrastructure assets are sub-divided into roads and related assets (bridges etc); harbours, and flood alleviation schemes. The challenge is to group assets in such a way that planning reflects service use or function without losing the overall picture of the Council's use of a class of asset – this is particularly the case for property assets. Over the years there have been instances of good cross-cutting initiatives, such as the re-location of small libraries into schools with spare capacity and the re-location of Visitor Information Centres into libraries. The Corporate Asset Management Plan should facilitate such initiatives.

- 4.1.4 Asset Management Plans have been prepared for the school estate; offices and other properties; the industrial estate; roads and associated infrastructure; housing, and fleet. A summary of the information available in each plan is given as **APPENDIX 2** to this report. Each plan is kept under review, and specific improvements for some areas were identified in the Corporate Asset Management Plan for 2013/14.

4.2 Targets for 2013/14

4.2.1 There were 10 actions approved in the Corporate Asset Management Plan for 2013/14.

- Review other council's Corporate Asset Management Plans and Capital Strategies with a view to identifying potential improvements for Moray (see paragraph 4.2.1).
- Consider the feasibility of developing a model for revenue cost requirements for non-school properties. This action may depend on the work of the Area Based Review Working Party (para 4.2.2).
- Monitor roads planned maintenance requirements and link to standards (para 4.2.3).
- Review 10 year plan for affordability, following the work of the Area Based Review Working Party (para 4.2.4).
- Review development of roads asset management system to date and define future development (para 4.2.5).
- Review development of roads asset management planning in the light of participation in the SCOTS/CSS Wales partnership (para 4.2.6).
- Sustainable Education review (para 4.2.7).
- Develop a quarterly profile for the capital plan for 2013/14 (para 4.2.8).
- Develop a risk register for the capital plan for 2013/14 (para 4.2.9).
- Develop a policy for post-project review for major capital expenditure para 4.2.10).

Progress against each of these actions is discussed below.

4.2.2 Review of Other Council's Plans and Strategies

Some progress towards collating and reviewing other Council's Corporate Asset Management Plans and Capital Strategies has been made. It is proposed that this action is carried forward into 2014/15, with a view to reporting any recommendations by the end of March 2015.

4.2.3 Revenue Cost Requirements (non-school bodies)

The current estimated life-cycle revenue cost requirements for all non-school buildings was reported to the Asset Management Working Group on 31 October 2013. The information will feed into the financial planning process. In the short term backlog maintenance issues need to be tackled, working within the parameters of the various property reviews which are or have been recently carried out. A separate report to this Committee identifies the current condition of the Council's buildings. The capital plan includes planned enhancements of swimming pools. Other backlog maintenance issues fall due to be tackled within the next five years. The year 6 onwards maintenance figures provide a realistic view of proactive planned budget requirements to keep buildings in a "satisfactory" condition, assuming this is achieved by 2019. The figures exclude cyclical servicing and reactive repairs – reactive expenditure should gradually reduce following planned investment. The figures have been developed by stretching out from 'industry standard' component life expectancy, taking a view on risk of building closure from specific element failures (eg moving decoration from a 5 to 10 years cycle will

not carry the same level of risk compared with replacing flat roofs or boilers at year 25 as opposed to recommended year 15). The planned figures should be mostly capital funded. The current budget for planned maintenance is £396,000 in revenue and £250,000 in capital (corporate buildings) with an additional capital allocation to renovate swimming pools. The medium to long term requirements average £1,209,000 pa (Table 3), which would require additional funding of £563,000 pa. However, rebalancing the funding between revenue and capital would produce revenue savings sufficient to cover the increase loans charges, and the eventual reduction in reactive maintenance will deliver revenue savings. The ultimate effect will be to spend £700,000 more per year on capital works; reduce planned revenue works by £146,000 which will be used to repay the additional loan charges arising from the capital works, and reduce reactive works by £150,000, which can be released as revenue savings. The medium to long term cost requirements are summarised below, by type of asset (Table 1) and by building element (Table 2).

Asset Type	Yrs 6-10	Yrs 11-15	Yrs 16-20	Yrs 21-25	Total £000s
Swimming Pools	1,634	1,855	1,300	977	5,766
Community Centres	1,658	1,462	1,606	1,266	5,992
Offices	1,815	1,885	1,935	798	6,433
Depots	929	957	403	73	2,362
Town Halls	996	30	30	13	1,069
Supported Accommodation	77	58	257	320	713
Residential Housing	610	244	160	400	1,384
Pavilions	43	43	50	35	171
Public Toilets	84	63	69	66	282
Total	7,846	6,598	5,810	3,920	24,173

Table 1

Element Group	Yrs 6-10	Yrs 11-15	Yrs 16-20	Yrs 21-25	Total £000s
Roofs	1,769	1,621	543	453	4,406
Floors & Stairs	559	562	846	167	2,134
Ceilings	17	121	32	-	170
External Walls etc	689	515	335	521	2,060
Internal Walls & Doors	185	91	121	20	417
Sanitary Servs	86	229	5	84	404
Mechanical	741	669	1,138	1,137	3,685
Electrical	2,270	1,653	1,648	703	6,274
Decoration	682	656	682	656	2,676
Fixed Internal Facilities	158	156	138	67	519
External Areas	674	324	319	107	1,424
Playing Fields	-	-	2	-	2
Overall Total	7,846	6,598	5,811	3,920	24,172

Table 2

Annual Equivalent (£000)					
Total	Yrs 6-10	Yrs 11-15	Yrs 16-20	Yrs 21-25	Total
	1,569	1,320	1,162	783	1,209

Table 3

4.2.3 Monitor Roads Planned Maintenance and Link to Standards

Council on 11 February 2014 approved a relative standard for road conditions: at the end of ten years aim to be at the midpoint for road conditions across Scottish local authorities (para 3 of the Minute refers).

4.2.4 **10 year Capital Plan**

The arrangements for preparing the capital plan were reviewed by the Area Based Review Working Party in October 2013. The Council had previously agreed to work towards the B standard for condition and suitability of all current assets. The Area Based Review Working Party refined this approach and their recommendations were approved by the council at the meeting on 11 February 2014. At that meeting it was also noted that the 2014/15 Capital Plan is underpinned by a 10 year capital programme which has been considered by Area Based Review Working Party. The full 10 year plan will need to be re-drafted for consideration by the Council as part of its process of preparing the 4 year plan for the Council, which in turn will be dependent upon the outcomes of the major reviews, not least, the Sustainable Education and the Leisure reviews. The Asset Management Working Group is using the information currently available to prepare an up-to-date 10 year plan. High level estimates will need to be used in areas such as Education and Leisure where the council is not yet in a position to finalise the asset plans for those services. This will be reviewed as part of the preparation of the council's medium term plan, being led by the Area Based Review Working Party.

4.2.5 **Roads Asset Management System**

The Roads Asset Management System is the primary system used to:

- record and report on roads and transportation assets and their condition,
- record service requests and inspections,
- record planned revenue and capital works and generate works orders,
- monitor actual and committed costs against budget,
- produce performance information.

Due to vacancies, the currently limited staff resources have focused on improving interfaces with other systems, adding asset data, improved reporting of asset condition to support annual works planning and more automated production of performance information. A major addition to road condition information was the inclusion of annual skid resistance testing of mainly A class roads during 2012/13. As resources allow the use of web based tools available within the system should be considered, to enhance public reporting of faults and allow public access to asset information, e.g. map based listing of public roads.

4.2.6 **Roads Asset Management Planning**

The second Roads Asset Management Plan project is a collaboration between Scottish and Welsh roads authorities under the direction of SCOTS and CSS Wales. The tasks listed below are being further developed and undertaken with the support of regular workshops. On completion of this phase of the project, Moray Council's roads asset management plan will be updated to include the outcome from these tasks. In turn, the summary position of the roads asset plan will be improved from that described in Appendix 2.

SCOTS/CSSWR/HAMP - Annual Programme												
Task: Authorities should update their AMPs using the tasks shown below:												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 Annual Policy Review	■											
2 Data Assessment		■	■									
3 Asset Valuation				■	■							
4 Collation of Performance Information						■	■					
5 Maintenance Manual Update								■	■			
6 Annual Status and Options Report									■	■		
7 AMP Update											■	■
8 Works Programme	■											■

4.2.7 Sustainable Education Review

This review is still in progress. The report by the Council's advisers, Caledonian Economics was received on 19 September 2014.

The report will be formally considered by Council on 3 November 2014.

Further investigation into identified proposals will take place with Council making the final decision on those proposals to be taken forward for consultation on 21 Jan 2015.

4.2.8 Quarterly Profile

The Capital Plan for 2013/14 was phased quarterly, and quarterly anticipated and actual expenditure reported to this Committee. This has been continued for 2014/15. The quarterly phasing enhances the scrutiny process.

4.2.9 Risk Register

The approach which has been taken to risk management of the Capital Plan as a whole has been to ask budget managers to classify their budget allocations as high, medium or low risk for probability of spend to allocation within the year. The risk classification has been incorporated into the quarterly monitoring reports to this Committee. This has been used as a tool to manage expenditure profiles by challenging the projections for allocations assessed as having a high risk of not spending within the year. The most recent capital monitoring report to this Committee extend the level of risk monitoring by including a paragraph on the general risks to the timeous delivery of the Capital Plan within budget which have been identified.

4.2.10 **Post Project Review**

The Asset Management Working Group has adapted and adopted the corporate Gateway process which has been used in recent years for ICT projects. The Gateway process includes post-project review documentation. All budget managers of capital projects (not programmes of work) will be asked to complete this in future. The Asset Management Working Group will consider these in the first instance. A separate process has been developed for energy efficiency projects. Post project reviews are considered by officers within the Estates service to review the effectiveness of different types of energy efficiency measures.

4.3 **Targets for 2014/15 and 2015/16**

4.3.1 Asset Management Planning underpins the Council's Capital Strategy and the Council's Capital Plan, and in its turn is influenced by both, as indicated diagrammatically in **APPENDIX 1**. The Corporate Asset Management Plan for 2013/14 is therefore heavily influenced by the current financial planning process, and in particular the Area Based Review of Council facilities. Actions for 2014/15 and 2014/15 have been prioritised with that background in mind.

4.3.1 **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

4.3.2 **AMP improvements**

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

4.3.3 **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.

5. **SUMMARY OF IMPLICATIONS**

(a) Moray 2023: A Plan for the Future / Service Plans

Asset Management Planning assists the Council to deliver council and Community Planning priorities whilst achieving Best Value.

(b) Policy and Legal

There are no policy or legal implications arising directly from this report.

(c) Financial implications

There are no financial implications arising directly from this report. Asset Management Planning feeds into the Council's financial planning process.

Paragraph 4.2.2 of this report identifies a potential shortfall in funding for the current non-school buildings asset base of £1,209,000 and also identifies that this shortfall can be met by rebalancing the funding across revenue and capital to more accurately match the nature of the expenditure required. The ultimate effect will be to spend £700,000 more per year on capital works; reduce planned revenue works by £146,000 which will be used to repay the additional loan charges arising from the capital works, and reduce reactive works by £150,000, which can be released as revenue savings.

(d) Risk Implications

There are no risks to the Council arising directly from this report. Asset Management Planning reduces the risk to the Council of unexpected issues arising relating to the Council's assets.

(e) Staffing Implications

There are no staffing implications arising directly from this report. All planned actions will be carried out within current staffing resources.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities

There are no equalities implications arising directly from this report.

(h) Consultations

Members of the Asset Management Working Group, the Head of Financial Services, the Acting head of Legal and democratic Services, Darren Westmacott, Committee Services Officer and the Equal Opportunities Officer have been consulted in the preparation of this report.

6. CONCLUSION

- 6.1 Progress continues to be made in the development of Asset Management Planning processes and plans.
- 6.2 The Corporate Asset Management Plan for 2014/15 and 2015/16 sets out the actions planned for this and next financial year to progress Asset Management Planning in the Council.

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Background Papers:

Ref: LP/LJC/239-320/239-321/239-322/239-323/239-324