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**REPORT TO: POLICY & RESOURCES COMMITTEE ON 7 JUNE 2016**

**SUBJECT: PROPERTY ASSET PERFORMANCE**

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT  
PLANNING AND INFRASTRUCTURE)**

**1. REASON FOR REPORT**

- 1.1 This report invites Committee to consider recommendations for improving property asset management arrangements within the Council.
- 1.2 This report is submitted to Committee in terms of Section III (A) (30) of the Council's Scheme of Administration concerning the formulation, supervision and review of the Council's asset management policies and practices.

**2. RECOMMENDATION**

**2.1 It is recommended that Policy and Resources Committee:**

- (i) notes the contents of the 2014/15 annual report on the performance of the Council's operational property portfolio (APPENDIX I);**
- (ii) notes that property performance information is a key element of an Asset Management Plan and that progress towards developing individual plans for agreed property groups is reported to this Committee annually in the context of the overall Corporate Asset Management Plan;**
- (iii) agrees that a detailed report on the suitability and condition of each property group in respect of 2015/16 be brought to the next meeting of the Policy and Resources Committee; and**
- (iv) agrees that the Asset Management Working Group should develop and implement a rolling programme of property reviews covering the whole of the Council's operational property portfolio.**

**3. BACKGROUND**

- 3.1 The Council's Corporate Asset Management Plan (CAMP), which was considered by Policy & Resources Committee on 10 May 2016 (paragraph 7 of the minute refers), identified that separate Asset Management Plans (AMPs) will be developed for the school estate, corporate offices, industrial estates and other operational buildings. Industrial estates are excluded from

the Local Authority Benchmarking Framework (LGBF) and are reported separately to the Economic Development and Infrastructure Committee.

- 3.2 The Financial Regulations approved by the Council on 3 February 2016 (paragraph 9 of the minute refers) confirm the same breakdown for operational properties as the CAMP, i.e. schools, offices and other operational buildings. The regulations further define what information should be contained within each AMP, being:

- Service context;
- List of assets and other descriptive and quantitative information;
- Condition of assets;
- Suitability of assets;
- Maintenance policy; and
- Replacement policy.

- 3.3 Building condition and suitability performance information relating to the operational property portfolios of all Scottish local authorities is collected annually by the Improvement Service as part of the LGBF. The [fourth national LGBF overview report](#) covering performance over the 2014/15 financial year, which was published on 29 January 2016, identifies that:

*“There has been consistent improvement in the condition of councils’ corporate assets over the period. The percentage of operational buildings that are suitable for their current use has improved from 73.7% to 79%, while the internal floor area in satisfactory condition has improved from 81.3% to 82.9%. There is significant variation across councils in both measures, ranging from 57% to 95.4% for [the number of] buildings suitable for use, and 32.7% to 99.5% for condition of floor area.”*

- 3.4 The annual report on the performance of the Council’s operational property portfolio, which contains further detail on each of the above measures, is attached as **APPENDIX I**. The performance of this Council in relation to the above suitability and condition indicators for the 2014/15 financial year was 93.7% and 32.7% respectively. At 32.7%, the condition performance of the Council’s property assets continues to be the lowest in Scotland, being significantly lower than that of the next lowest local authority, whose property performance was identified as 58.7%. To rise above the 4<sup>th</sup> quartile, the Council’s performance would need to increase above 80%.
- 3.5 The operational property portfolio is dominated by the school estate, which accounts for 78% of those properties that do not meet the agreed performance standard for condition.
- 3.6 The Council’s performance in relation to each of the LGBF indicators is reported annually to the Audit and Scrutiny Committee. The next report will be considered by the Audit and Scrutiny Committee on 3 August 2016.
- 3.7 The performance of the different property groups identified in the CAMP and the Financial Regulations varies significantly. Therefore, the best fit for reporting detailed property performance is in the context of individual AMPs.

#### **4. PROPERTY REVIEWS**

- 4.1 On 11 October 2011, the Policy & Resources Committee approved a Property Asset Management Strategy for 2012-2017 in respect of non-school operational property (paragraph 8 of the minute refers). The strategy was intended as a tool to help develop systems and processes to enable the Council to use its property assets effectively, efficiently and economically.
- 4.2 The strategy identified a set of key property performance indicators that have been reported annually to Committee. Property performance is well understood and there is now a danger that the data collection facet of property asset management is overdone at the expense of other important areas.
- 4.3 The strategy emphasised the importance of the property review process to achieving improvements in service delivery and property performance. A robust system of cross-service property reviews is essential to achieving an integrated approach to managing property assets. Although property reviews have been carried out, these have been ad hoc and progress is sporadic.
- 4.4 The annual property performance report (**APPENDIX I**) makes three recommendations aimed at addressing this lack of significant progress:
- (i) The Council should develop a system of structured property reviews whereby service managers are challenged around the ownership, utilisation, performance and strategy of holding and using property assets to deliver services;
  - (ii) Each property group should be reviewed over a fixed number of years and that the review be carried out as a joint exercise led by the Head of Housing and Property and the head(s) of the relevant user service(s), with the outcome of each review being formally reported to the Asset Management Working Group and to Members; and
  - (iii) No major investment in any property group should be approved without first completing a property review for that group, the outcome of which identifies achievable and sustainable dates for meeting agreed targets for condition and suitability.
- 4.5 The requirement that no investment should be approved without having been subject to a property review should not be a barrier to dealing with major building component failures that require urgent repair works.
- 4.6 Although property performance relating to condition and suitability are of primary importance, performance in relation to other significant factors, such as property costs, sustainability and sufficiency, is fed into all property reviews undertaken by the Property Resources Team. This ensures that the results of energy reviews undertaken by the Energy Officer are fully taken into consideration in developing each AMP. The annual Energy Report, containing full details of the performance of the Council's non-domestic properties, was submitted to Policy & Resources Committee on 1 September 2015 (paragraph 11 of the minute refers).

- 4.7 Officers from Property Resources have worked closely with colleagues from Educational Resources to develop a project prioritisation matrix that informs the selection of future education projects. This work is regarded as being of critical importance at this time of financial austerity. A similar 'golden thread' approach has been developed to identify and programme future repairs and maintenance across all other operational property portfolios and will be used to inform a longer term 3 Year programme of Repairs and Maintenance projects and will form an integral component in the property review process. This will be the subject of a future Committee report.

## **5. SUMMARY OF IMPLICATIONS**

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

This proposal relates to:

- (i) Moray 2023 Priority 4: A growing and diverse economy.
- (ii) Service Plan Priorities 3: Managing our assets, and 4: Improving Service Quality.

### **(b) Policy and Legal**

The policy objectives of the operational property portfolio are set out in the Property Asset Management Strategy, as approved by the Policy and Resources Committee on 11 October 2011 (paragraph 8 of the minute refers). The Financial Regulations approved by the Council on 3 February 2016 (paragraph 9 of the minute refers) set out the requirement to prepare AMPs for the following property groups: schools, offices and other operational buildings.

### **(c) Financial Implications**

The implementation of the recommendations contained in this report will help ensure that the operational property portfolio is managed cost effectively.

### **(d) Risk Implications**

The implementation of the recommendations contained in this report will alleviate any risk that the Council's property assets would not be appropriately managed and reduce the health and safety risk associated with bad management practices.

### **(e) Staffing Implications**

The programme of property reviews would be a significant piece of work to be undertaken within existing staffing resources. This would limit the number of reviews that could be accommodated at any one time and would impact upon the timescale for delivering the programme.

**(f) Property implications**

Implementation of the recommendations contained in this report will ensure that the Council makes best use of its operational property portfolio and that the portfolio is sustainable in the longer term.

**(g) Equalities**

There are no equalities issues arising from this report. Any equality issues would be considered as part of each property review.

**(h) Consultations**

Consultation on this report has taken place with the Corporate Director (Corporate Services), the Head of Housing and Property, the Property Resources Manager, the Design Manager, the Asset Manager, the Educational Resources Manager, the Estates Manager, and Lorraine Paisey (Principal Accountant ). All comments have been incorporated in the report.

**6. CONCLUSIONS**

- 6.1 The Council's Property Asset Management Strategy sets out property objectives and identifies measures for assessing the performance of the operational property portfolio. These performance indicators are an essential feed into the property review process, which is itself an integral part of preparing sustainable Asset Management Plans.**
- 6.2 The development of a system of structured Property Reviews that systematically challenge the utilisation, performance and strategic management of the Council's property assets would inform the identification of timescales for, and the cost of, achieving agreed targets for condition, suitability and sustainability.**

Author of Report: Andrew Gray, Asset Management Coordinator

Background Papers: Held by author

Ref: Annual Operational Property Portfolio Report 2014/15