



## CORPORATE ASSET MANAGEMENT PLANNING

Report by Director of Technical Services

**PURPOSE OF REPORT** To seek approval of a proposed delivery mechanism for corporate asset management planning and of further consideration by the respective service committees at the August 2007 series.

### COMPETENCE

- 1.1 There are no legal, financial or other constraints to the implementation of the recommendation.

### SUMMARY

- 2.1 The development and implementation of effective corporate asset management planning is becoming a significant element of correct and proper business planning practice. Evidence of good asset management is already becoming a prerequisite of certain elements of discretionary funding and this is likely to increase in the future.
- 2.2 The importance of this has been recognised by the Comhairle in its establishment of the ICT, Procurement and Asset Management Sub Committee and the Report, detailing a proposed delivery mechanism for corporate asset management by the Comhairle, included as Appendix 1 to this Report, is to be considered by it at its meeting of 15 June 2007.
- 2.3 At the time of writing, it is not possible to advise the Committee of the outcome of the Sub Committee's consideration of the proposal. However, a verbal update and, if necessary, a supplementary paper, will be provided at the meeting of the Policy and Resources Committee.
- 2.4 If the Committee is minded to approve the proposal, in principle, it is intended that the matter be then presented to the respective service Committees together with any subsequent changes back to Policy and Resources and for final approval by the Comhairle, all at the August series.

### RECOMMENDATION

- 3.1 **It is recommended that the Comhairle approve, in principle, the proposed delivery mechanism for corporate asset management planning as set out in Appendix 1 to the Report and for its consideration by the respective Service Committees, the Policy and Resources Committee and the Comhairle at their meetings in August 2007.**

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pers:

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None

1. Report to ICT, Procurement and Asset Management Sub Committee, 15 June 2007.

## **CORPORATE ASSET MANAGEMENT PLANNING**

Report by Director of Technical Services

**PURPOSE OF REPORT** To seek the Sub Committee's approval of a proposed delivery mechanism for corporate asset management planning.

### **COMPETENCE**

- 1.1 There are no legal, financial or other implications of the recommendations being implemented.

### **SUMMARY**

- 2.1 Asset Management is commonly defined as the full life cycle management of assets in order to maximise their advantage. It covers site acquisition and disposal, the replacement and remodelling of buildings, roads and bridges to include extensions and improvements, plus the management and maintenance of such capital infrastructure assets.
- 2.2 There is a growing emphasis on the importance of effective asset management planning and the Comhairle is not alone in being under increasing pressure to improve its school, leisure and care homes estate, roads and other transport infrastructure, and its piers and harbours. Evidence of good asset management has already become a condition of certain elements of discretionary funding and this is likely to increase.
- 2.3 The development and implementation of correct and proper asset management planning represents a major challenge to the Comhairle and is likely to necessitate several significant step-changes to the remits of service committees and departments within the authority.
- 2.4 Drawing a distinction between the roles of asset owner, asset manager and asset user, this Report sets out a proposed delivery mechanism for corporate asset management planning for the Comhairle and provides some suggestions for roles of the respective service committees and departments within the authority.

### **RECOMMENDATIONS**

- 3.1 **It is recommended that the Sub Committee agree to recommend the delivery mechanism for corporate asset management planning as set out in this Report and in Appendix 1 to this Report to the Policy and Resources Committee at its meeting in June 2007 and then for consideration by the respective service Committees and the Comhairle at their meetings in August 2007.**

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Background Papers: CIPFA Asset Management under Best Value Advisory Note  
Audit of Best Value and Community Planning – Comhairle nan  
Eilean Siar, August 2006

Appendices: Corporate AMP - Proposed Delivery Mechanism (June 2007)

## BACKGROUND

- 4.1 Asset Management is commonly defined as the full life cycle management of assets in order to maximise their advantage. It covers site acquisition and disposal, the replacement and remodelling of buildings, roads and bridges to include extensions and improvements, plus the management and maintenance of such capital infrastructure assets. From a financial standpoint, regard must also be made to the opportunity cost of such assets, ie the costs of having capital tied up in the asset rather than available for investment.
- 4.2 There has been an increasing focus on the need for and the benefits arising from effective corporate asset management in the public sector for the last several years and many local authorities across the country have been criticised for not achieving real progress in its implementation.
- 4.3 Sir Michael Lyons in his report to the Chancellor of the Exchequer in December 2004 suggested that there was considerable room for improvement in the practice of asset management and planning at both central Government and local authority levels. He also emphasised the significant role that effective asset management planning has in good business planning and the achievement of targets.
- 4.4 In addition, the Local Government in Scotland Act 2003 Best Value Advisory Note suggests that the duty of ensuring Best Value has more direct implications for asset management:
- Management arrangements must secure continuous improvement
  - The authority must look to find a balance between quality and cost in decisions relating to the procurement and use of assets
  - The authority will be expected to ensure that the decisions taken contribute to the achievement of sustainable development as well as meet purely economic criteria. This includes sustainable long term programme management of assets.
- 4.4 Also, with specific reference to Comhairle nan Eilean, Audit Scotland in their Audit of Best Value and Community Planning of August 2006, it highlighted:
- Significant improvements are needed in corporate management and coordination, including a strategic and more corporate approach to procurement, human resources, ICT and asset management*
- 4.5 Even more recently, evidence on the focus on the Executive push for effective asset management planning by Scottish local authorities is the specific reference and requirement to demonstrate the implementation of planning processes as conditions associated with the recent additional capital allocation to the Comhairle of £2.22m, specifically:
- The President of COSLA has further agreed that councils will deliver a body of work by the end of 2007 to improve asset management. Evidence of this condition being met will be provided through a report to the Executive on progress made on asset management planning (to include discussion of progress towards the development of efficiency indicators and outcomes and preparation of a Corporate Asset Management Plan).*

## **MAIN ELEMENTS OF EFFECTIVE ASSET MANAGEMENT PLANNING**

- 5.1 Asset management is a key component of Efficient Government and with the introduction of the prudential capital regime, pressure on revenue budgets to fund capital infrastructure is a permanent management issues for all local authorities.
- 5.2 The Comhairle is not alone in coming under increasing pressure to improve its school, leisure and care homes estate, local roads and other transport infrastructure, and its piers and harbours, and evidence of good asset management is likely to become a condition of discretionary funding. Most important of all, appropriate use of assets in the right location, of a satisfactory condition and fit for purpose, can make the difference between good and poor service delivery.
- 5.3 Based on industry best-practice and specific guidance issued by CIPFA, the main elements of effective AMP could be summarised as:
  - strong and effective links between the Corporate Strategy, Strategic Priorities and Service Policies;
  - a robust identification of the assets required to deliver priorities and policies;
  - the application of processes at a corporate level coupled with a high degree of ownership at Member level;
  - a consistent approach across organisation;
  - clarity of roles and responsibilities for all stakeholders;
  - the full-cycle asset management and planning and informing capital and revenue investment decisions;
  - a comprehensive and accurate record of an authority's asset base; and
  - the use of formal options appraisals in investment decision-making
- 5.4 With the exception of its Schools Estate, the Comhairle has made little progress in the development of Asset Management Planning. There has been no linking of the Corporate Strategy and Strategic Priorities through asset management to the development of its capital and revenue planning processes.
- 5.5 The magnitude of this exercise should not be under-estimated and it will not be possible to fully implement this process as part of the development of the Comhairle's Capital Programme for 2008-2012.

## PROPOSED DELIVERY MECHANISM

6.1 To identify a way forward for the Comhairle, the delivery mechanism summarised in Appendix 1 to this report has been developed and the main elements are described below:

- The development of the Comhairle's Corporate Strategy, together with the identification of its Strategic Priorities and its Services Policies; the determination of assets and infrastructure required to effectively and efficiently deliver resultant policies, performance and service standards
- At the same time, the establishment of an accurate and comprehensive record of existing assets and infrastructure; to include assessment of condition and sufficiency
- The comparison of assets required against assets available identifying deficits and surpluses
- Effective appraisal of options informing the development of asset maintenance regimes, asset infrastructure programme and asset disposal opportunities

6.2 Another important aspect of this is the drawing of the distinction between asset owner, asset manager and asset user. In the case of the Comhairle's existing committee structure and respective financial accounts, and to ensure a consistent application of corporate asset management and planning across the authority, it is suggested that it would be necessary for the responsibility for all assets and infrastructure to be transferred from the current service committees to a single committee or similar decision-making body within the Comhairle.

6.3 The development and implementation of service policies would of course remain the responsibility of the respective service committee and, as part of the cyclical review process, changes and particularly their impacts on existing and required assets and infrastructure would feed back into the process.

6.4 Financial resources and effective planning, monitoring and reporting would run through and inform the process from top to bottom

## IMPLEMENTATION

7.1 The development and implementation of asset management planning represents a major challenge to the Comhairle and will necessitate several significant step-changes to the remits of service committees and departments within the authority.

7.2 It is suggested that the role of **asset owner** be changed from the respective service committees to the Policy and Resources Committee. It is proposed that financial resources associated with revenue funding of infrastructure repairs and maintenance and with capital investment will transfer as part of this. As an aside, and as was also highlighted in the Audit Scotland Best Value Audit, this should enable these service committees to better focus on policy and strategic issues rather than, often minor, operational issues associated with infrastructure.

7.3 Infrastructure may be categorised as:

- Transportation Infrastructure; including roads, bridges and causeways
- Marine Infrastructure; including piers, harbours and ferry terminals
- Buildings and properties; including schools, care homes, waste management facilities (but not including specialised equipment), leisure facilities and play areas
- A&RE Infrastructure; including renewable energy generation assets and associated infrastructure
- ICT Infrastructure

7.4 It is proposed that the role of **asset manager** would, with the exception of ICT assets and infrastructure, be the responsibility of Technical Services. ICT would remain the responsibility of the IT Section within Finance and Corporate Resources.

7.5 The service committees and departments would assume the role of **asset user** and it would be extremely important for there to be effective and productive working relationships between the three parties to ensure needs, expectations, views and concerns are fed into the process at the right time and in the most effective and efficient way.

7.6 With regard to the recent approval of the post of Head of Asset Management and Planning, it is suggested that the post be established within Technical Services. However during the initial stages of the development of the Comhairle-wide process at which time the emphasis will be on the linking of Corporate Strategy, Strategic Priorities and Service Policies, consideration be given to it being seconded to the Chief Executive's Office for a fixed period to be determined.

7.7 Although not generally regarded within the context of conventional asset management planning, the management and planning of human resources could easily follow the model suggested. This would also be consistent with the re-establishment, alongside the ICT, Procurement and AM Sub Committee of the Human Resources Sub Committee. However, the further consideration of this issue falls outwith the remit of this report.

**ASSET OWNER**

