

**HAMPSHIRE COUNTY COUNCIL**

<b>Committee/Panel:</b>	Buildings, Land and Procurement Panel
<b>Date:</b>	12 October 2010
<b>Title:</b>	Strategic Asset Management Update
<b>Decision Reference:</b>	1949
<b>Report From:</b>	Director of Property, Business and Regulatory Services

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## 1. Executive Summary

- 1.1. At its meeting on 27 May 2010, the Panel advised the Executive Member for Policy and Resources that the recommendations contained in a report concerning Strategic Asset Management and an Asset Management Plan be approved. These recommendations included support for an Asset Management Plan, with a requirement for an update on progress to this meeting.
- 1.2 This report provides that update, and responds to an increasing urgency to establish robust Strategic Asset Management principles within the County Council. These will enable it to make efficiencies in the use of its assets in the light of the emerging position on public finances. The report should be read in conjunction with the Strategic Asset Management - Risk Management report elsewhere on the agenda. Investment decisions based on a risk managed approach will remain an important tool in any Strategic Asset Management culture.

## 2. Background

- 2.1. The May report identified a possible framework for a new Asset Management Plan, intended to guide the County Council's strategic asset management decisions, and provide clarity to partner organisations. This will ultimately allow strategic decisions to be made across the boundaries of public sector organisations within Hampshire having regard to their asset requirements and asset holdings. The framework of the Asset Management Plan proposed in the May report was influenced by the Comprehensive Area Assessment requirements, and since then the new Coalition Government has removed the requirement for a CAA entirely. This allows greater flexibility in determining the form and content of the new Plan.

2.2. It is proposed to make some changes. Whilst retaining the content of the Asset Management proposals set out in the May report, it is now recommended that the Plan be split into two parts.

- Part 1 will identify the County Council's Asset Management Arrangements and Policies that enable its estate to be managed on a strategic basis, while:
- Part 2, an Action Plan, will identify the Council's specific Strategic Asset Management targets for the ensuing three years.

Part 1 of the Plan will require relatively minor year-on-year change, whereas Part 2 will be updated annually, and can be expected to change significantly as priorities and targets also change.

2.3 Work on the Plan has already started in anticipation of approval to this revised basis. The new format should significantly reduce the resources required to keep this important document up-to-date, and partner organisations will be able to focus just on Part 2 of the document as we move towards Strategic Asset Management decisions across the partner organisation.

2.4 Part 1 of the Plan includes a new Disposals Policy. The Audit Committee has requested sight of this Policy that arises out of a specific Audit Commission recommendation.

### **3. Key Issues**

3.1. The Plan now being drafted is in the format set out in Appendix 1. The actual document is currently being drafted and it is expected it will be completed by Spring 2011.

3.2. The Panel will appreciate that Part 1 of the new Asset Management Plan (management arrangements, policies, and existing priorities) can be written immediately, but much of Part 2 (the Action Plan) can only be written following further detailed work with service departments. The Action Plan will need to challenge whether the County Council (and ultimately its partners) has the right assets to deliver modern public services within Hampshire. This will be an iterative process, mapping demand, the nature of services themselves, identifying the premises requirements that flow from the needs of those services, the assets currently available, how intensively they are used, and how well they perform. Preliminary work on this part of the Plan involves collecting this information and data, agreeing how to measure the gaps where premises fall short, and then deciding how to address them.

3.3. Work is now underway with services departments to develop individual service asset strategies. This is being done in conjunction with the Workstyle project, since for many assets and services, there is an overlap between their office functions and their direct service functions.

- 3.4. The new Capital and Assets pathfinder overlaps with much of this work, and will help inform future decisions.
- 3.5. As the Plan is still in preparation, this report also provides a brief update on the key Asset Management priorities that have been identified in the earlier Strategy for the Built Estate reports.

**4. Current Asset Management Issues and Priorities**

4.1. The current principal objectives of the Council’s asset management strategies are:

- a) Ensure buildings are accessible and remain open for business.
- b) Direct resources to the highest and most significant liabilities for core properties within the built estate.
- c) Establish a robust Health and Safety Corporate Risk Assessment that helps to ensure buildings are safe to occupy.
- d) Continue to develop long term strategies to address the backlog of repairs and maintenance liabilities.
- e) Maximise the opportunities for planned maintenance regimes as opposed to reactive patch and mend repairs.
- f) Maximise the opportunities for capital receipts.
- g) Ensure investment opportunities are linked to effective procurement practices that offer best value.
- h) Maintain strong links with schools through the SLA and to ensure that schools have access to corporate property advice. Increasingly, new objectives related to improved integration of the Council’s assets and strategies with those of other public sector partners will have to be developed alongside these current objectives.

4.2. Finance Framework

The current capital repair resources are as follows:

2	Policy and Resources repairs and maintenance	R	4,992	4,992	4,992
2	Schools repairs and maintenance	R	11,754	11,754	11,754
2	Policy and Resources capital repairs	C	4,167	4,170	4,167
2	DSG capital repairs	C	11,719	11,719	11,719
2	New Deal for Schools	CG	2,127	3,206	3,206

#### 4.3. Landlord's Capital Programme

- Delivery of the approved 10/11 Landlord Capital Programme is proceeding well. It is anticipated the programme will in the main be complete or fully committed by 31 March 2011. A small profiling forward of some schemes into 11/12 is anticipated at this stage to facilitate the delivery of the programme in the least disruptive way whilst maintaining services. Further efficiencies in the delivery of the programme this year, resulting from a competitive marketplace, are allowing further works to be programmed and delivered within the available programme.

#### 4.4. NDS, BSF and PCP Capital Programmes

- Property Management successfully delivered the NDS programme on time for 31 August 2010 including the accelerated funding to a total value of £12 millions. This accelerated delivery has seen a further significant impact on the backlog of repairs ahead of programme but unfortunately will leave a very small programme of NDS in 2011/12. The future of further centrally funded investment is now the subject of the central government spending review.
- Unfortunately since the report to Panel in May the Government has announced the suspension of the BSF programme and we await the outcome of the spending review in October. Happily the proposed investment in Havant Academy was confirmed by DFE and works are now proceeding to deliver an enhance provision on this site.
- The £21.2 million funding under the PCP over 2009/10 and 2010/11 is still secure and this significant programme of investment is progress. Further waves of investment under the PCP are again subject to the anticipated announcements from Central Government.

#### 4.5. Backlog repair and maintenance

- The future central government funding proposals to address the significant backlog in school building condition are awaited. The liability in Hampshire schools is currently recorded as £345 million which represents an inflation adjusted improvement on the position over the last decade. However, our current assessment of condition does not allow for re-cladding of SCOLA 2 and 3 buildings. We are currently reviewing this position in light of the poor thermal performance of these blocks and recent concerns with top hung windows becoming detached from the buildings. Pilot SCOLA 2 and 3 re-cladding projects have been completed over the summer 2010 at Fernhill Secondary and Quilley School of Engineering. These projects demonstrate the improved performance, enhanced thermal properties and overall benefits to the teaching environment. It should be noted that the costs for any future programme to re-clad the SCOLA 2 and 3 estate would be significant, given the large number of buildings of this type on County school sites.

- We need to await the outcome of the spending review but can anticipate a likelihood of reduced centrally funded investment in the built estate. Risk management has been a key driver for targeting investment in the estate over recent years. In the current financial environment it is anticipated future Landlord programmes will increasingly be focused on risk management. It is hoped that the outcome of the spending review will not reverse the reduction in overall liability in the schools estate experienced over recent years in Hampshire.

#### 4.6. Risk management strategy

- There is a report on this strategy elsewhere on the agenda. The strategy ensures that Landlord investment decisions are based on a strategic risk management approach with resources directed at the highest and most significant risks to provide assurance that buildings remain safe to occupy. Investment in the non-education estate remains challenging but every effort is being made to maintain these properties at an acceptable standard.

#### 4.7. Capital Receipt Strategy

Against a backdrop of what appears to be relatively stabilised market conditions, a receipt target in the region of £10-13m has been identified for the 2010/11 financial year. The 2010/11 programme again includes mostly small to medium sites (up to 30 dwellings), but with two significant sales of land at the former Kings Copse Primary School, Hedge End (due for completion in November) and also the sale of the former Beechdown School, Basingstoke. Although the latter sale has been caught by the EU Procurement Directives (report to the Panel in May), the selected basis of sale provided some measure of confidence that this sale would contribute towards the receipt total for this year. The outcome of marketing is the subject of a separate report elsewhere on the agenda, and identifies that there is continuing evidence of a market recovery, reflected by both the level and numbers of offers received.

Continued progress on the sites that will support the receipt programmes for 2011/12 and beyond has also been made, with the recent submission of the new outline application for Merton Rise, Basingstoke which will support a programme of receipt from 2011/12 onwards. In order to improve the management of capital receipt delivery, a new team has been formed following a restructuring within Property Services, and this will have responsibility for most disposals, and for maximising the value of the Council's surplus assets.

#### 4.8. Service Level Agreement with Schools

- Work is on going to prepare the next Property SLA offer to schools. The market research conducted with schools over the summer is due to report shortly and should further inform the future offer.

#### 4.9. Facilities Management

- The integrated Facilities Management Service which is responsible for managing FM for Headquarters Offices is now extending its responsibility for office buildings across the County Council. This implementation is ahead of the original timetable, and will be in place for November 2010. This accelerated timetable supports the changing business needs and is in preparation for anticipated changes resulting from the work to reshape the Council, and the review of property assets referred to in paragraph 3.2 above. The likelihood of an accelerated Workstyle programme relies on integrated building and facilities management to achieve the flexible working objectives integral to efficient use of buildings.

The FM service will be looking to extend the scope of its responsibilities beyond office buildings during 2011/12 to maximise the use of other appropriate non school buildings, and their associated resources such as fixtures, fittings and IT etc. This also enables the FM service to ensure that more efficient practices are embedded in the building portfolio, including optimising corporate storage, postal efficiencies and managed printing.

#### 4.10. Climate Change Agenda

- In July, Cabinet approved a Carbon Strategy for the County Council which has set down the short, medium and long term carbon emission reduction targets. The short term target of a 20% reduction from current levels by 2015 is supported by a Carbon Management Plan which sets out in detail how the 20% reductions are to be achieved through a number of programmes of work such as the Landlords Capital projects, Hampshire Workstyles and ICT initiatives. The Plan also includes a major behavioural workstream which seeks to raise awareness of energy use in our buildings and to support staff to reducing the energy used by them.
- Work has progressed well with the installation of the advanced boiler controls on our 160 corporate sites and will be completed by the end of October. Monitoring of the energy consumption of these site will be undertaken over the coming twelve months to establish the carbon emissions reductions this programme has achieved.
- The installation of 1,800 smart meters by the utility companies commenced in the summer and is progressing well. When complete the smart meters will enable us to accurately measure the energy used across our estate. Having accurate and up-to-date information on the energy used will assist in the management of our carbon reduction initiatives.
- As previously reported to this Panel, the next phase of smart meter installation work will be the installation of smart sub-meters. The costs of this works will be approximately £725,000 (excluding fees) funded from the one-off grant of £1 million from the Schools Forum. The works will involve

the installation of sub-meters to school buildings in excess of 1,000m<sup>2</sup> in floor area on campus sites. A specification has been drawn up for the works and the tenders will be invited early in October with a view to commence the installation of the meters early in 2011 for completion by the end of April 2011.

- Work is also underway to procure a software system to receive, analyse and report on the data received from the smart meters. The software would enable each site – school, library, office etc – to access its energy consumption data and to use this to help manage their energy use.
- The County Council is now registered in the Government's Carbon Reduction Energy Efficiency Scheme (CREES) and from April 2011 will have to purchase carbon credits as part of the Carbon Trading scheme along with approximately 5,000 other public and private sector organisations.
- In May this year a behavioural change pilot project was started working with staff in Mottisfont Court to understand how the use of the office impacts the energy used. By developing a network of energy saving champions and working with staff we have been able to demonstrate that with good 'housekeeping' (switching off equipment when not in use, turning off lights etc) savings of around 10% can be made to the energy used.

#### 4.11. Affordable Housing

Following approval in April of three sales for affordable housing at Braemore, Basingstoke and Aldershot, progress on each site has been made including the recent submission for detailed planning for Braemore. In addition progress has also been made to review available County Council landholdings to support the Senate's Project 500 Strategy which will see the provision of an extra 500 affordable homes in Hampshire over the coming years. Council Officers form part of the Project 500 Board which is jointly led by the Chief Executives of New Forest District Council and Gosport Borough Council. A separate Council-led project team has undertaken an initial sieve exercise across all eleven planning districts and this review has in the first instance considered rural and edge-of-settlement ownerships which might come forward on an exceptions basis. This review has identified between 15-20 sites that can be regarded as having good potential and these will now be the subject of a more detailed feasibility work, with a further 30+ site that are regarded as having some potential but need more work to establish whether they can be similarly progressed.

## 5. Conclusion

- 5.1. The Capital and Asset Pathfinder, the Council's own Strategic Asset Management proposals, and work already well advanced on Workstyle will ultimately allow much more efficient use of the Council's property assets, and much greater sharing of resources with other public sector organisations. There will be substantial efficiency gains, which should become quantifiable as the projects develop.

**6. Recommendation**

**6.1. That the Executive Member for Policy and Resources be advised to support:**

The updated Strategic Asset Management principles set out in the report.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	Yes
Corporate Improvement Plan link number (if appropriate):	
<b>Maximising well-being:</b>	Yes
Corporate Improvement Plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	Yes
Corporate Improvement Plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u> Building Land and Procurement Report Strategic Asset Management and an Asset Management Plan	<u>Reference</u> 1425	<u>Date</u> 27 May 2010
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

**IMPACT ASSESSMENTS:**

**1. Equalities Impact Assessment:**

- 1.1. An equalities impact assessment has been considered in the development of this report and no adverse impact has been identified.

**2. Impact on Crime and Disorder:**

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

**3. Climate Change:**

- 3.1. The report includes a number of detailed proposals that will improve the energy efficiency of County Council property assets. A specific section of the report sets out issues related to climate change.

## **Strategic Asset Management Plan (Version 2)**

### **Part 1 Asset Management Arrangements and Policies**

#### **a) Background and Context for Plan**

- The Estate – description, numbers, values etc
- Public Finances /Public sector Assets/Capital & Assets
- Efficiencies
- Climate Change
- Backlog Maintenance

#### **b) Links to County Council Strategies etc**

- Corporate Priorities
- LAA and Senate Priorities
- Medium Term Financial Strategy
- Capital Strategy
- Corporate Improvement Plan

#### **c) Asset Management Framework**

- BLAPP/Executive Member P&R roles
- PBRISIT role and structure
- PBRISIT meetings/approvals/structure
- Corporate landlord function
- Strategy for the Built Estate approach
- New Asset Management Plan led approach
- Procurement models (IESE/RIEP etc)
- Performance /benchmarking
- Schools SLA

#### **d) Asset Management Policies**

- Acquisitions
- Disposals
- Residential Properties
- Property Review
- Risk Management
- Procurement
- Facilities Management
- Climate Change/Carbon Reduction Commitment
- Insurance

**Part 2 Asset Management Action Plan 2010 - 2013****a) Self Assessment**

- Where are we now
- Strengths/weaknesses
- Systems/processes
- Condition/suitability
- Level of understanding
- Engagement with partners

**b) Developing a vision for the Council's assets**

- Positioning ourselves
- Aspirations - v - reality
- What is the best we can achieve

**c) Developing asset strategies for Council Departments/Services**

- Understanding their needs
- Future direction of their services
- Commissioning - v - delivering agendas (and asset implications of each)
- Partnership opportunities

**d) Understanding why the Council holds assets**

- determining common criteria/objectives (for all assets)
- determining specific asset type criteria/objectives (eg for libraries)
- 

**e) Measuring how well the Council's assets perform against our agreed criteria**

- Development of performance indicators
- Identifying the performance gaps

**f) What we intend to do about performance gaps**

- Actions proposed for different property categories
- Actions for individual properties
- Actions proposed for exploring partnerships
- Existing partnership opportunities
- Efficiencies needed
- Resources
- Dependencies
- Timescales/priorities
- Measuring results

**g) Monitor and Review Process**

- Six monthly updates
- Annual report/review