

To: Value and Performance Scrutiny Committee

Date: 21 November 2011

Report of: Head of Law and Governance

Title of Report: Asset Management – Select Committee Inquiry
(revised report)

Summary and Recommendations

Purpose of report: To brief the Committee on progress made to date with the 2009 Asset Management Plan and to set out a proposed line of questioning for the Committee Inquiry.

Key decision? Not applicable

Inquiry Lead Members: Councillors Van Nooijen and Gotch

Executive lead member: Councillor Turner

Policy Framework: Efficient, Effective Council

Recommendation: The Committee is asked to use the time available to question officers and form views and recommendations to inform the development work on the 2012/13 Asset Management Framework.

Introduction

1. For the 2011/12 work programme the Committee decided to hold a series of Select Committee style inquiries in order to probe in greater depth a number of key topics.

This Select Committee Inquiry will give the Committee an opportunity to consider progress made to date with the 2009 Asset Management Plan providing an opportunity for officers from Corporate Assets to report on whether targets and milestones in the Plan have been achieved. The session will also give the Committee the opportunity to pre-scrutinise a very early draft of the revised version of the plan due to be consulted upon and published early in the New Year (this is included on pages 33-90 of the main agenda). This very early view of the document is welcomed but the committee may feel they do not

Revised report

have enough time within this current meeting to properly consider the content. The options open to the committee are:

- Consider the document now
- Set another full committee meeting shortly
- Set a Panel of “interested members” shortly

The future timetable for agreement of the Strategy is

- 8 February 2012 – Plan released by City Executive Board for formal consultation
 - May 2012 – Outcome of consultation reported to CEB and plan adopted by Full Council.
2. Councillor Van Nooijen, with the assistance of Councillor Gotch, was appointed by the Committee to be the member lead for this quite wide ranging topic. Following preliminary discussions it was decided to base the Committee’s work around the following key lines of enquiry:-

To have an early view of:

The draft document proposed for consultation with highlighted or listed areas that have changed

The achievements against the 2009 action plan with areas that remain unachieved highlighted with reasons for delay or change

The work done in order to identify the gaps and alterations needed based on changing circumstances and demands. Alongside this how these are addressed in the new plan

An update on the 2009 risk assessment (and any links to the corporate risk register) in particular sections set to ensure we provide maximum value from our asset base.

3. The lead members held a meeting with officers from Corporate Assets to discuss what progress had been made since the 2009 plan was adopted.

Outline of debate

The table below gives a quick reference guide to the information presented in the report and in particular its relevance to your debate. The report is divided into sections each containing possible questions and lines of inquiry suggested by the lead member.

Section	Information/Document	Source	Relevance
A.	Key objectives Paragraph 5	2009 Asset Management Plan (AMP)	Outlines the overarching directions for the plan and progress towards these are given alongside each.
B.	Corporate performance targets – paragraph 6	Corporate Performance indicators	Gives a picture of how the Corporate Assets service area is performing against targets set
C.	Milestones – paragraph 7 The milestones is full are available at Appendix 3 to this report	2009 AMP	Progress against milestones is given to give a picture of how each target has been achieved on target
D.	Risk – paragraph 7	Taken from the Corporate Risk register and the risk register attached to AMP 2009	Gives detail of the risks identified in 2009 providing an opportunity for the Committee to be updated
	Maintenance Backlog Appendix 2	2009 Asset Management Plan (AMP)	Background data
	Summary of assets by type Appendix 3	2009 Asset Management Plan (AMP)	Background data

Section A - Key objectives from the 2009 Asset Management Plan

4. Five key objectives were decided upon for the future management of the Council's property portfolio. These are detailed below with an accompanying commentary from the Head of Corporate Assets on progress and achievements.

Objective 1

Within the next 5 years, we want our operational property to be “lean”, that is, we only want to own and/or occupy the minimum amount of operational

Revised report

property that is needed to fulfil the objectives of the services we provide. We want this occupational property to be fit for purpose and in good condition and if there is a choice to be made, we would rather have less property which is fit for purpose and in good condition, than more property that is not.

Corporate Assets Comments

- The office rationalisation project (OFTF) is set to reduce the overall footprint by 20% from 7358 sq m to 5886 sq/m, which represents circa 43% reduction in City Centre office accommodation.
- 2 community centres are set to be replaced at Cowley and Northway;
- The depot rationalisation project continues, as the business case continues to be developed.

Objective 2

We want all of our Property to support our service objectives in regeneration, housing, environmental, community, customer and customer service terms, as appropriate.

Corporate Asset Comments

- Barton site to be brought forward for residential development of which 40% will be affordable;
- Re-provision of Community Centres at Cowley and Northway with modern facilities, in addition to the provision of affordable housing;
- New Customer Service Outlet opened in September 2011 which was made possible by the OFTF programme.

Objective 3

We want our investment property to make the greatest possible financial contribution to the Council within the context of good estates management and good investment management, thereby protecting where possible enhancing asset value.

Corporate Assets Comments

- Income has remained broadly stable through difficult economic conditions. Notwithstanding a number of tenant defaults, voids have been proactively managed and where possible future portfolio risk has been mitigated.

Objective 4

We want all of our property to be well-managed and efficient with, as appropriate, efficient running costs, efficient income generation and recovery and optimal utilisation.

Corporate Assets Comments

- The restructure of the property team to provide a central corporate property function was completed in June 2009. The remit of this team was further extended in November 2010 to include strategic responsibility for all HRA assets.

Revised report

- A favourable report was received by the Audit Commission in April 2010 regarding Asset Management practice within the Council.

Objective 5

We want to maximise synergies working in partnership with other service providers / landowners where appropriate.

Corporate Assets Comments

The Council continues to have a very high profile at both County and National level. Our progress with partners may be evidenced by the progress made on the Barton Joint Venture, Northway and Cowley developments, together with our continued dialogue and support for partners in the Westgate Centre Alliance. We continue to forge meaningful relationships with key partners in our district which range from important employers such as BMW through to our counterparts at the County Council and third sector organisations alike.

Question/Issues

Starting point for discussion: The overall aim of the AMP 2009/10: To “Develop a comprehensive asset management plan that rationalises our property holdings, releases capital for investment and ensures that our buildings are properly maintained. – By March 2009/10

- *Has the document achieved its purpose?*
- *What is the position on maintenance backlogs and the effects of these on the proper/effective use of assets*
- *What is the current strategy for the best use of car parks within the asset framework*

Section B - Corporate Performance Targets

5. Information on the specific corporate performance targets that relate to the asset service area is included at appendix 1 to this report. There are 12 targets, 8 of which are being achieved, 1 is not being achieved and 1 is “within tolerance” and 2 of the targets cannot yet be measured. The targets mentioned were correct as at the end of September 2011. Of particular relevance to this Inquiry are CE002 which has seen a larger than expected income from commercial property rent.

Questions

CA004 – Can this target be justified? In order to maximise rental yields should we be aiming for a higher level of satisfaction?

CA006 – Rent reviews and lease renewals are surely an important way to maximise income. Why is this number so low?

Section C – Target Milestones from AMP 2009

6. The table below shows progress against the targets and milestones set in the 2009 plan. The original extract from the plan that includes these targets is attached at appendix 1
 Highlighted in red is data that was not available at the time this report was written. Officers from the Service Area will provide members with an update at the meeting.

Target milestones set 2009 AMP	Progress against target at November 2011	Lines of inquiry
By the end of 2009/10		
To have reduced our occupied office accommodation floor space by 10% from 2008/09 levels	Vacation and demolition of Northway offices produced TBC% savings in office accommodation by Dec 2009.	
To have maintained income from investment properties at 2008/9 levels.	[TBC]	
To have completed the Property and Facilities Management Service reorganisation and recruit to vacant posts.	Completed June 2009.	
To have a proper system of corporate asset management in place and be managing property corporately	Corporate Asset Management Group with agreed Terms of Reference set up February 2010. The committee continues to meet monthly to oversee Asset Management, operational property, capital planning and allocation.	What benefits were expected from this and have these been realised?
To have implemented a new system of financial accounting for property.	Completed in part. Migration from Atrium system for repairs onto Uniform common platform enabling reconciliation between income and costs.	
To have a clear property strategy for Blackbird Leys, Cemeteries, Council Offices, Investment	Blackbird Leys Strategy – ongoing Cemeteries – Preferred strategy to be presented to CEB Dec 2011 Offices – Offices For	Can further details be given on the strategy for our investment properties

	The Future strategy agreed July 2010. Completion set for Feb 2012.	
Property, Off-street car parks	Ongoing	Timescales and scope for this?
To have achieved a general fund capital receipts target of £2m	Achieved overall between 2009/2011	Is there a breakdown of information for each of the financial years?
By the end of 2010/11		
To have a clear strategy for the all the property aspects of Customer Services shops	New Customer Service Outlet completed Sept 2011. Review of Templar Square CSO underway November 2011.	
To have a clear property strategy for Northway	Development partner selected and terms agreed on the redevelopment for housing and re-provision of a new purpose built community centre.	
To have a clear strategy for new affordable housing on housing estates	Ongoing	What is the new completion date for this
By the end of 2013/14		
To have decreased the maintenance backlog year on year from 2008/2009 levels	£7m Planned Preventative Maintenance programme agreed between 2011-2015. Offices For The Future Programme removed xm from Maintenance Backlog. Leisure substantive works has removed ym from Backlog.	Question within key objectives section A
To have increased our income from investment properties by 2.5% in real terms compared to 2008/9 levels.	[TBC]	When is this information likely to be available?
To have reduced our occupied office accommodation floor space by 20% from 2008/09 levels	On target for 43% reduction in operational office accommodation by Feb 2012 due to the Office For The Future Programme.	
To have supported the	Offices For The Future	Can we quantify the effects of

<p>advancement of the Oxpens redevelopment area with a view to commencing development in, say, 2015/16; to have concluded whether the Council's offices will, in due course, relocate there; and, to have determined whether this will on the basis of shared space with our Partners.</p>	<p>strategy was to reduce City Centre office buildings from 4 to 2, retaining St Aldate's Chambers as the main office building in addition to the Town Hall. The progress of Oxpens development has not advanced due to the economic climate; however we continue to engage with key stakeholders and will consider utilising our land holdings in this area for the purpose of regeneration at the appropriate time.</p>	<p>this delay to the City</p> <p>What is the current position on any future development of the Oxpens site?</p>
<p>To have appropriate community centres fit for purpose and in good condition</p>	<p>Significant progress made in the redevelopment of Northway and Cowley community centres. An over arching strategy for remaining community centres is emerging and will be documented in the refreshed AM plan.</p>	<p>Question in objectives Section A on maintenance backlogs</p>
<p>To have leisure centres fit for purpose and in good condition, by both improvement and rationalisation.</p>	<p>Partnership with Fusion progressing well, the substantive repair programme has now had a visible impact on the quality of the Leisure centre offering.</p>	
<p>To have brought forward land at Barton (adjacent to the ring road) for housing development and if possible to implementation.</p>	<p>Joint Venture partner selected and Limited Liability Partnership incorporated as a delivery vehicle for development of the site over 5 year period.</p>	
<p>To have explored the possibilities for additional housing provision at South Oxford Urban Extension and taken them as far as possible, and if feasible, to implementation stage (some of</p>	<p>On hold due to changes in planning legislation.</p>	

this is outside of the Council's direct control).		
To have decreased the carbon footprint for the Council's operational buildings from 2008/2009 levels	On target for 28% reduction in carbon footprint by March 2012.	

Section D - Risk

7. The Head of Corporate Assets has identified the following as the biggest risks to the successful delivery of the Plan.
- 1) A high number of retail premises (70% approximately) in the Council's investment portfolio. This, when placed in the context of the economic downturn, represents a sizable risk to the Council's financial targets.
 - 2) The likelihood of keeping a high level of income from capital receipts is diminishing as marketable assets are sold leading to less attractive assets to having to be disposed of.

The 2 tables below show:

- An extract from the Corporate Risk Register of those risks potentially influenced by the work of corporate assets. Risks in the Corporate Register are those of particular significance corporately
- The Risk Register contained within the Asset Management Framework

Corporate Risk Register Extract

ID number	Risk Title	Description of risk/ consequences	Risk Owner	A high risk is a score of 4 or more	Action to reduce risk	Action Owner	% Action complete
CRR-013	Impact on homelessness of changes in Housing Benefit	Changes in housing benefit and universal housing benefit increase homelessness	Dave Edwards	15	Monitoring and intervention, ensure takeup of benefits	Helen Bishop	50%
CRR-014	Management of HRA reform and self-financing	That the self financing regime is difficult to administer and the 30 year cashflow is not favourable to the council	Jacqui Yates	12	Establish Board, engage consultants, agree debt profile, write asset management plan and business plan	Graham Stratford	10%

CRR-007	Health & Safety	Existence of operational risks (relating to internal as well as public concerns - property not vehicle)	Dave Edwards	12	Create 'one view' of all corporate assets (issues, status of building, budget, work required, timescales). 'One view' being everything documented in consistent and understandable format which can be shared across organisational boundaries.	Steve Sprason	50%
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Revised report

Question/Issues

- *Does the corporate risk register adequately reflect the risks associated with the management of our assets?*
- *Commercial property income – how big a risk is this to the council achieving a balanced budget?*
- *Last estimate of the Council's asset worth was £96m in 2008. How has this position changed and does any downward trend have any affects within our revenue and capital budgets?*
- *Are Council Tax payers receiving the best return on the investment in our property portfolio? What is the rate of return and how does this compare*
- *Are we able to produce rates of return now and if not why not.*
- *Commercial property voids – when considered within the current economic climate, does this present an unreasonable risk? How many properties are currently void? Is there a plan of action should a large tenant leave at short notice? What is the trend?*

AMP risks

Below is the risk register from the AMP 2009. Of the 15 risks identified in 2009, 5 were identified as being "major" 9 as "Moderate and 1 as "minor."

Revised report

**Questions/Issues*

Major risks that need further exploration

Risk 4 – Asset review recommended by AMP 2009 not carried out.

- *The cause of this risk was noted as “lack of buy in from stakeholders” Have the asset reviews happened adequately and was support available from all areas of the Council. Are there any concerns for the committee to consider*

Risk 10 – Westgate scheme

- *Can we estimate the economic loss to the City and the Council because of the delay in this scheme? Can the Committee be updated? Has this resulted in any unbudgeted costs to the council?*

Risk 11 – OTTF

- *Has the ongoing office project been delivered on schedule and within budget? Have difficulties with the contractors led to an increase in the overall costs for the project? Are there any other risks the committee needs to be aware of?*

Risk 12 –Swimming Pools

- *Does this still present a “major” risk to the Council? Has the potential loss because of delay or stop been estimated within the risks*

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