

Report of: Value and Performance Scrutiny Committee

To: City Executive Board

Date: 2nd. December

Item No:

Title of Report: Scrutiny response to the draft Asset Management Plan

Summary and Recommendations

Purpose of report: To present the conclusions and recommendations of the Value and Performance Scrutiny Committee to the consultative draft of the Asset Management Plan

Board Member: Cllr Price

Approved by:

Finance: Anna Hedges

Legal: James Pownell

Recommendations

For the CEB to consider the Committee findings and recommendations and say if it:

Agrees – if so, what is the timescale for implementation

Disagrees – the reason for this

For all agreed recommendations the scrutiny committee would request an action plan for implementation as soon as possible

Recommendation 1

Within the document to tie together objectives and outcomes within a framework that allows particular decisions to be judged against clear outcome criteria. To reference within this framework the read across to other policies and strategies.

Recommendation 2

To include within the strategy clear governance and decision making frameworks for locally held assets or those of significant importance to local communities and economies. Within this to provide more transparency on the methodology to be used to weigh up the social and economic benefits in options appraisal.

To see as an appendix to the Asset Plan the main drivers and outcomes from all strategies and plans in this area and where further development is needed to provide sound “read across”.

Recommendation 3

To include within the Asset Plan a framework for the business planning approach to this group of assets.

Within this section to list assets that are to be treated in this manner and as development progress to include the outcomes measures from these plans.

Recommendation 4

To include within the Asset Plan by the end of the year:

- Policies on acquisitions and disposals;
- Current and expected rates of returns by asset groups;
- Benchmarking of the performance of our portfolio by asset type;
- A “road map” for how we intend to complete these process.
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Recommendation 5

To produce a consistent approach across the Council for modelling within options appraisal to ensure that variables are treated in a consistent manner.

Specifically to recognise within modelling the importance of carbon reduction within the Councils priorities and ensure that carbon appraisals for assets take into account the potential negative and positive primary and secondary effects.

Recommendation 6

To be in a position at the next yearly iteration of this Plan to make robust judgement of value for money within the management and outcomes from the asset portfolio.

To include within the plan now a more useful section on staffing to include at least identification of the skills needed to produce good results, the gaps that exist and how these can be bridged, what this might cost and what the Council could hope to get back in return both financially and in the form of other benefits.

Recommendation 7

To include clearly within the Plan the framework with which objectives and outcomes for HRA properties will be managed and achieved.

Recommendation 8

To reconsider now the risk table included within the report accompanying this Plan. To demonstrate and highlight a broader understanding of the risks within the current portfolio and mitigation measures, with timescales and actions, that can advance and improve outcomes.

Recommendation 9

In general terms there is still much development to happen to produce a sound good quality plan that fits the purpose of the authority. Some of these things are highlighted in this report. A “road map” through both this document and its development would help to give understanding and confidence.

Background

1. The Value and Performance Scrutiny Committee set a Panel to consider the draft asset Plan within its consultation period. The full report of the panel can be found at Appendix 1

Scrutiny Committee Findings

2. In addition to the Panel findings the committee also considered an outline of a work plan for developments within the “Tenanted Non-Residential Property and Investment Portfolio” plus an extract from the Area Committee report which accompanied the draft Plan on its consultation round. This outlined how councillors were to be engaged on an on going basis
3. The work plan addressed the issues outlined at lines of enquiry and recommendations 3 and 4 and the committee were pleased to see the proposed developments and improvements in this area
4. The details given of how members were to be engaged were accepted by the committee and this recommendation was removed from the panel report
5. The committee was pleased to see these documentary commitments and the positive attitude of officers towards the panel report so would ask to see a detailed action plan for the implementation of all agreed recommendations including details of action planning within the “Tenanted Non-Residential Property and Investment Portfolio”

Comments from Board Member

6. None received

Comments from Executive Director of City Regeneration

7. A number of helpful recommendations have been made and the CEB report has been updated to reflect this

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On behalf of the Value and Performance Scrutiny Committee

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Report of: Value and Performance Asset Panel

To: Value and performance Scrutiny Committee

Date: 14th. September **Item No:**

Title of Report: Consultation response to the Draft Asset Management Plan

Summary and Recommendations

Purpose of report: To provide the committee with the detailed finding from the asset management plan consultation

Report Approved by:

Finance: Anna Hedges
Legal: James Pownell
Asset Management Panel

Recommendation(s):

These are contained within the body of the report alongside findings

Value and Performance Scrutiny Committee - Asset Management Plan Panel

Councillors: Armitage, Simmons, Morton, Keen and McCready

Introduction and Background

1. The Value and Performance Scrutiny Committee set a panel to consider the City Executive Boards proposals for the Asset Management Plan. The proposals have been advertised for consultation and the results of this will be considered by the City Executive Board on the 14th October. At the same meeting a final

Asset Management Plan will be recommended to Council for agreement.

2. When the Asset Plan is presented to Council for decision making details have to be made available of all comments received and the City Executive Boards response to these. This means that the recommendations of this committee and the Board's response will be available at Council on the 2nd November.
3. The Panel considered the documents and set a number of lines of inquiry. These were discussed with Steve Sprason (Head of Service for Property and Facilities Management) and Richard Hawkes (Corporate Asset Manager). The Panel's recommendations are set out below along side these lines of inquiry.

Lines of Inquiry and Recommendations

Line of inquiry 1:

Future objectives for the management of the property portfolio are clearly at the heart of this plan because they drive actions to produce the outcomes desired. The panel found these on page 12 of the Main Document.

1. *These objectives are written in broad terms and it is not easily or readily clear how success will be judged across them all. Could the panel have details of short and medium term outcomes expected and measures and targets to be reached against each of these objectives? The panel are particularly interested in the ambitions for our communities delivered through this plan*
2. *The principles applied within the objectives written give some obvious tensions in their application. When practically implementing these principles how will these tensions be considered?*

Response

This is a high level document and so specific objectives and outcomes will often be found in other documents, plans and strategies. There are a number of on going projects that will produce outcomes within this plan:

- Review of public conveniences;
- Review of depots;
- Demolition of Northway Offices;
- Better procurement moving away from the current fragmented approach;

Members could be provided with some targets and measure but these would not be truly SMART because of the many imponderables.

Conclusion and Recommendations

It is crucial that a high level document of this nature and importance ties together objectives and outcomes within a framework. This would allow particular decisions to be judged against agreed criteria and tensions within objectives to be balanced. Some objectives already have an outline of expected outcomes detailed in this plan (these often need to be made SMART) but they are spread across different sections and so it proves difficult to easily judge success.

It is clear that “read across” to other strategies is needed to set many of the high level objectives and outcomes. It is not clear if this had been considered in sufficient detail or if other strategies are sufficiently detailed to provide the appropriate steer.

Recommendation 1

Within the document to tie together objectives and outcomes within a framework that allows particular decisions to be judged against clear outcome criteria. To reference within this framework the read across to other policies and strategies.

Line of Inquiry 2

- 1. The papers talk about the principles of supporting the economy of the City. This is applauded. It's not however clear how local economies and assets within these are to be supported by the plan, recognising in particular that those actions and principles that support the City and its assets more generally may not always produce good results when applied within smaller local economies. The move towards the empowerment of people and communities makes this a “must” to consider. How is this reflected in the plan or how can it be*
- 2. Linked to the question above can you be clear the effects that the centralisation of asset management will have on current “locally managed assets” and how the principles of centralised management will work in partnership with plans within the emerging community cohesion agenda*

Response

The plan provides for corporate management of assets not centralisation. The corporate organisation has a framework within which local decisions can be made. There is a problem with some strategies and plans that relate to “local assets” in that they do not provide enough details to inform the strategic management of these assets. For example, if community ownership is to be an ambition for the Council then we need to develop a clear strategy for this that is both affordable and deliverable. This can then be reflected in the frameworks within the Asset Plan.

Conclusions and recommendations

The frameworks within which local economies and local assets are to be managed corporately are not clear in this plan and should be. The Councils and indeed national directions for local communities are ambitious and the Asset Plan should include clear governance and decision making frameworks to support these.

If this work is hampered by “read across” from other strategies it would be helpful to see the areas where strategy development or interpretation is necessary and how this can reasonably be tackled.

Recommendation 2

To include within the strategy clear governance and decision making frameworks for locally held assets or those of significant importance to local communities and economies. Within this to provide more transparency on the methodology to be used to weigh up the social and economic benefits in options appraisal.

To see as an appendix to the Asset Plan the main drivers and outcomes from all strategies and plans in this area and where further development is needed to provide sound “read across”.

Line of Inquiry 3

- 1. There are some properties that have particular significance within the City e.g. Covered Market. These are not identified separately and so our ambition and objectives for them is not clear outside of the broad principles listed. Are there any particular ambitions for these properties and where can these be found?*

Response

Individual properties of this nature will be treated within an agreed “business plan”. The plan will be built around the outcomes agreed for the management of the asset (maximise returns, community benefit, corporate benefit or any combination of these).

Conclusions and recommendations

These plans do not currently exist and an approach of this nature to this asset group would seem sound. The Asset Plan should include the details of this strategic approach and in the first instance include at least the framework for the business plan and assets that are to fall into this category. Once plans are developed reference to the high level outcomes should be included in the Asset Plan.

Recommendation 3

To include within the Asset Plan a framework for the business planning approach to this group of assets.

Within this section to list assets that are to be treated in this manner and as development progress to include the outcomes measures from these plans.

Line of Inquiry 4

- 1. The plan does not detail the return on assets currently received and what is aimed for/expected from each asset group and how this might benchmark against best practice. The panel read that a 2.5% increase in income is aimed for by 2014 from our investment properties but have no way of judging whether this is an ambitious or conservative target to set. What other information in this area can the panel see.*
- 2. What is the policy on acquisitions and disposals.*

Response

It is not possible at the moment to match costs against income and so we are not able to produce rates of return. A piece of work is almost complete to suggest how we go forward on this along with proposals guiding acquisitions and disposals. This work will bring a better degree of accuracy but without up to date valuations of assets on an ongoing basis it cannot be completely rigorous.

Conclusions and recommendations

This is a fundamental part of the Asset Plan and it is disappointing not to see it here. Many judgements and decisions around the management of assets and the links to capital and revenue budgets will require this information. The Plan cannot be considered complete without it.

Recommendation 4

To include within the Asset Plan by the end of the year:

- Policies on acquisitions and disposals;
- Current and expected rates of returns by asset groups;
- Benchmarking of the performance of our portfolio by asset type;
- A “road map” for how we intend to complete these processes.

Line of inquiry 5

- 1. Public projects now have to factor in carbon as part of the NPV calculations. Do our NPV calculations do this.*
- 2. Can you give the panel information on how carbon emissions are considered more broadly within the management of assets e.g. if a proposal was put forward to build a more environmentally efficient swimming pool on the edge of town to replace an inefficient local one,*

how would the wider carbon effects of people having to drive to the new site be factored in within the decision to build or not.

Response

Officers could not find reference to a standard method for doing this. The significant issue linked to this was that there was no standard method for modelling within options appraisal across the authority which meant that variables, including carbon emissions are treated differently. A response from the Executive Director for City Services as it related particularly to a leisure options appraisal confirmed that all major decisions taken by the council would take account of carbon impact. The weight given to carbon impact would be judged by decision makers project by project.

Conclusions and recommendations

DEFRA provides a method of building the shadow price of carbon into NPV calculations, this is already used by some larger councils. Carbon reduction is a corporate aim of the Council and should be built into options appraisals in a consistent way and not considered and weighed differently project by project.

Recommendation 5

To produce a consistent approach across the Council for modelling within options appraisal to ensure that variables are treated in a consistent manner.

Specifically to recognise within modelling the importance of carbon reduction within the Councils priorities and ensure that carbon appraisals for assets take into account the potential negative and positive primary and secondary effects.

Line of Inquiry 6

- 1. The plan assumes that the management of all assets will remain "in house". What consideration of best value has been made within this decision?*

Response

Significant amounts of work are already performed outside of the council. A core group of staff perform duties and they commission others outside of the council when needed. The packaging of the management of groups of assets for tendering or anything else has not been ruled out but as yet has not been considered. The authority has a lack of benchmarking information to inform this process.

In addition the council needs to get some semblance of order within the management of assets before it considers this.

Conclusions and recommendations

The management and outcomes of the assets portfolio is crucial to the council across all its priorities and the achievement of value for money within this should be a priority. It is disappointing to hear that we are still not in a position to consider this more robustly but pleasing to hear that nothing has been ruled out.

The section on staffing within the plan is small and not very useful. The plan should at the least identify the skills needed to produce good results, how these are best obtained, what they might cost and what the Council could hope to get back in return whether that is financial or other benefits.

Recommendation 6

To be in a position at the next yearly iteration of this Plan to make robust judgement of value for money within the management and outcomes from the asset portfolio.

To include within the plan now a more useful section on staffing to include at least identification of the skills needed to produce good results, the gaps that exist and how these can be bridged, what this might cost and what the Council could hope to get back in return both financially and in the form of other benefits.

Line of inquiry 7

- 1. As with the objectives the action planning is written broadly. Within the governance arrangements it would seem that the detailed monitoring of delivery will fall to either the "Asset Management and Capital Steering Group" and the "Head of Property and Facilities Management". How will councillors outside of the CEB be kept in touch with progress across this important strategic plan?*

Response

This was not discussed. The scrutiny committee should ask the City Executive Board this question directly.

Conclusions and recommendations

Recommendation 7

To outline to the scrutiny committee how members outside of the Executive are to be kept in touch with progress across this important strategic plan

Line of inquiry 8

- 1. Can you be clear about the links of this plan to HRA properties? They seem to be mentioned in some places and discounted in others.*

Response

Yes HRA properties are covered by this plan but they are within a framework managed by Oxford City Homes.

Conclusions and recommendations

The position of HRA properties and the framework within which they are managed is not clear from this document and it should be. It was made clear from the outset that the intention was that all assets would be managed corporately so as with local assets frameworks for doing this and making decisions should be included in this document.

Recommendation 8

To include clearly within the Plan the framework with which objectives and outcomes for HRA properties will be managed and achieved.

Line of inquiry 9

How is risk in its broadest sense handled within the Asset Plan?

Response

This was not considered in depth by the panel but comments when talking about disposals and acquisitions to produce a “balanced” portfolio produced some discussion amongst panel members.

Conclusions and recommendations

The Council relies on its portfolio to produce a huge amount of income and to deliver on increasingly challenging community cohesion agenda. It is important that we have a risk framework that allows us to preserve and advance this in a manner that identifies and reduces risk. The table within the report is wholly inadequate in this context.

Recommendation 9

To reconsider now the risk table included within the report accompanying this Plan. To demonstrate and highlight a broader understanding of the risks within the current portfolio and mitigation measures, with timescales and actions, that can advance and improve outcomes.

Recommendation 10

In general terms there is still much development to happen to produce a sound good quality plan that fits the purpose of the authority. Some of these things are highlighted in this report. A “road map” through both this document and its development would help to give understanding and confidence.

Report Author

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Asset Panel**

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