

# BUILDING ON STRONG FOUNDATIONS

## A Framework for Local Authority Asset Management





Building on strong foundations

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February 2008

Product Code: 07LGF05074

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## Foreword



The 2006 Local Government White Paper set out the Government's ambition to create strong, safe and prosperous communities throughout England through a new settlement between central government, local government and citizens. This new relationship means more scope for councils to put the "government" back into local government: not just administering services, but planning and managing strategically for what local people want and need.

Over the past few years councils have greatly improved the way in which they manage their assets. Recent research shows that most local authorities started from a low base with some not even knowing what assets they owned. However, many have made significant progress up the capital and asset planning learning curve. In the past local authorities were required to submit their corporate capital strategies and asset management plans to the Government Offices but as standards began to rise this requirement was removed. The challenge ahead of us is for all authorities to reach the level of the best and to ensure that they are thinking strategically about how they can get the most from their asset base.

Over the next three years, I want to see local authorities build on their earlier work to ensure that they secure better value for money whilst making more effective use of their asset base as the foundation for delivering high performing public services.

Councils can also lead the way in tackling climate change by running their buildings in an environmentally sustainable way, and working to improve the energy efficiency of new and existing commercial buildings.

It is important that elected members and senior officers are fully involved in getting the most from their authority's assets. This Framework has been put together to help with this process.

A handwritten signature in black ink that reads "J Healey". Below the signature is a short horizontal line.

**John Healey MP, Minister for Local Government**

## About this Framework

Local authority fixed assets are worth nearly £239 billion<sup>1</sup> which makes them the second most costly resource after staff for local authorities to manage. Effective asset management plays a major role in delivering better outcomes for citizens, creating a sense of place and generating efficiency gains. Asset management should underpin, and contribute to, delivery of the local vision and priorities as set out in the Sustainable Community Strategy, the Local Area Agreement and the Local Development Framework.

This Framework aims to raise the profile of local authority asset management whilst providing an overview of the current policies that local authorities should be mindful of when planning their asset management strategies. This Framework is designed for members and senior officials and is not intended to be a comprehensive guide to local authority asset management.

## The National Improvement and Efficiency Strategy

Local authority asset management is a part of the National Improvement and Efficiency Strategy (NIES)<sup>2</sup>. The NIES sets out an ambition for improvement which is led by councils working with local service providers to use available resources to support improvement and efficiency within a local area. It is a more devolved approach that puts the new Regional Improvement and Efficiency Partnerships at the heart of setting the strategic ambition for improvement; and co-ordinating support at a regional level.

## Why are we producing a local authority asset management framework?

The Government recognises the importance of good strategic asset management. Therefore, as part of the 2007 Comprehensive Spending Review, each government department is developing an asset management strategy to show how they intend to manage their own assets along with those assets that have a direct influence on Departmental priorities.

In addition to its own strategy, Communities and Local Government was asked to produce an asset management strategy for local government. The Government recognises that local authorities face different challenges and that there cannot be a 'one size fits all' asset management strategy for local government. We have therefore produced a Local Authority Asset Management Framework ("The Framework") to bring together key policies and influences that shape local authority asset management.

<sup>1</sup> Capital Outturn Return (COR), Local Authority Capital Expenditure and Receipts England 2006-07 Final Outturn (This figure includes both operational and non-operational assets) [www.local.communities.gov.uk/finance/stats/natstats.htm](http://www.local.communities.gov.uk/finance/stats/natstats.htm)

<sup>2</sup> [www.communities.gov.uk/publications/localgovernment/efficiency](http://www.communities.gov.uk/publications/localgovernment/efficiency)

A recent local authority asset management study<sup>3</sup> said there is a widespread (but mistaken) perception among local authorities that the Government has 'lost interest' in asset management. This stemmed from the ending of the requirement for authorities to submit their corporate capital strategies and asset management plans annually to the Government Offices, and more recently, their Property Performance Indicators to Government. This is not the case and this Framework sets out, in part, our response to this mistaken perception.

## RICS Public Sector Asset Management Guidelines and the revised Local Authority Asset Management Guidance

In addition to the reading list at Annex A, it is also worth mentioning two key pieces of asset management guidance. First, the Royal Institution of Chartered Surveyors (RICS) Public Sector Asset Management Guidelines<sup>4</sup> which were published on 16 January 2008 which are for all practitioners in all public sector bodies. Secondly, Communities and Local Government have commissioned RICS to produce a series of topic based local authority asset management pamphlets to reflect recent policy changes. The intention is that these pamphlets can be read by local authorities alongside the overarching public sector guidelines.

## Input from local authorities

Local authorities are best placed to decide what should be in this document and all English local authorities were consulted and their comments are reflected throughout this Framework. This Framework covers some initiatives from across government and more information about specific policies can be found on the relevant Departmental websites. In addition, Departments intend to publish their own asset management strategies in early 2008.

## Audience

Whilst this Framework is designed mainly for English local authorities, most of it will be relevant to other organisations working at a local level. The Framework is particularly aimed at the following two groups:

- local authority decision makers (generally senior officials and members) who would like to know more about the importance of asset management; and
- asset management and property experts who would like to know more about the changing relationship between central and local government.

<sup>3</sup> Evaluation of Corporate Capital and Asset Planning in Local Authorities by York Consulting, November 2007, commissioned by Communities and Local Government, [www.communities.gov.uk/publications/localgovernment/capitalassetplanning1](http://www.communities.gov.uk/publications/localgovernment/capitalassetplanning1)

<sup>4</sup> [www.publicsectorassetmanagement.com](http://www.publicsectorassetmanagement.com)



# Chapter 1

## Introduction to Local Authority Asset Management

### Defining local authority asset management

- 1.1 There are numerous definitions of asset and property management. This Framework focuses on the following definition as set out in RICS's 2008 Public Sector Asset Management Guidelines:

“Strategic asset management is the activity that seeks to align the asset base with the organisation’s corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned.”

### The challenge for central government

- 1.2 Local Government is best placed to understand the needs of its citizens and the community. Recent policy initiatives such as the 2003 Local Government Act, the 2006 Local Government White Paper, and the 2007 Local Government and Public Involvement in Health Act have gone a long way towards creating a devolutionary framework that gives freedom and flexibility to local authorities.

### The challenge for local government

- 1.3 Whilst individual local authorities vary enormously in the size and nature of their asset holdings, they all face similar challenges, such as modernising service delivery and getting the most from their resources. By prioritising asset management, removing silos within the authority, working with a variety of partners, aligning assets to priorities and assessing whether the asset base is performing at its optimum, local authorities will be more able to use their assets to meet these challenges.

## Benefits of good asset management

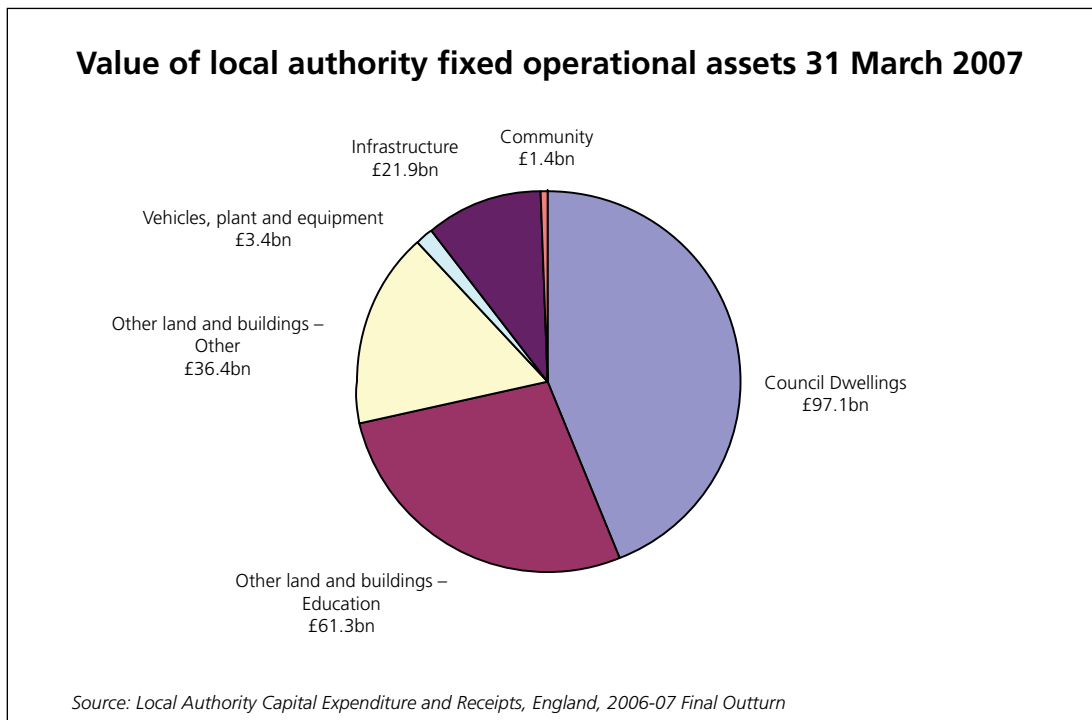
- 1.4 There are many benefits for a local authority, both financial and non financial, of good asset management. The following list sets out some of the benefits of good asset management, although it is worth recognising that at times these benefits may conflict with each other. The list is based on a recent study<sup>3</sup> into asset management and feedback from the consultation on this document. Good asset management can:
- deliver exceptional services for citizens, aligned with locally agreed priorities, whilst focusing investment clearly on need;
  - empower communities and stimulate debate;
  - improve the economic well-being of an area;
  - ensure that, once built, assets are correctly maintained;
  - Introduce new working practices and trigger cultural organisational changes;
  - reduce carbon emissions and improve environmental sustainability;
  - increase co-location, partnership working and sharing of knowledge;
  - improve the accessibility of services and ensure compliance with the Disability Discrimination Act (DDA) 2005;
  - generate efficiency gains, capital receipts, or an income stream; and
  - improve the quality of the public realm.

## Local authority asset data

- 1.5 In 2007 local authorities in England owned nearly £239 billion<sup>1</sup> of fixed assets which includes over £220 billion of operational assets. Almost half of these operational assets are invested in council housing stock. In addition to council housing, there are four main types of local authority operational assets:
- Land and buildings used to deliver a direct service to the public (eg schools, elderly persons' homes and public parks)
  - Assets that support service delivery (eg the town hall, other administrative offices, and vehicle depots)
  - Non-operational property (eg surplus property awaiting sale or commercial and industrial property); and
  - Transport assets (eg highways<sup>5</sup>, ports, municipal airports, bus stations, carparks and park-and-ride).

<sup>5</sup> At present, the value of local highways is not fully reflected in the Capital Finance returns, and the asset values presented in this Framework therefore understate the real value of local authority assets.

1.6 The York Consulting report<sup>3</sup> into local authority asset management said that the average floor space per member of staff fell by 10 per cent from 12.2 square metres per person in 2000/01 to 10.9 square metres per person in 2005/06. Whilst this is encouraging, local authorities still have some way to go in rationalising office space.



## Local authority asset management research

1.7 In 2001, Communities and Local Government commissioned a study<sup>3</sup> to look at local authorities' Capital Strategies and Asset Management Plans. The study recognised that local authorities have made much progress in improving asset management; however there is still some way to go. The study concluded that there remain significant improvements that can be made in narrowing the gap between the best and worst authorities.

1.8 The study identified the following three key reasons to explain why some authorities are not as advanced at strategic asset management as others:

- lack of corporate culture in the authority;
- minimal buy-in to the importance of strategic asset management from senior officials and members; and
- lack of leadership across the authority.

## What does good look like?

- 1.9 The list in the box below, and associated diagram at Annex C, sets out what we think good could look like. It is based on the ideas contained in relevant research and within this Framework.

**Step 1: Asset management processes within the local authority**

- Prioritise asset management at a senior level
- Ensure that asset management is adequately resourced
- Think corporately about asset management
- Involve elected members and designate a member of the Cabinet to hold the asset portfolio
- Ensure that there is a project management system in place
- Ensure that formal mechanisms are in place to engage with citizens and to collect, analyse and store the relevant property data

**Step 2: Aligning assets with visions**

- Ensure that the asset management plan is a medium to long term plan
- Link asset management with all other strategies<sup>6</sup>
- Link the asset management plan to the corporate vision and statutory requirements
- Clearly outline the objectives for each asset
- Consider all options for all assets
- Work across boundaries to align asset management strategies

**Step 3: Implementation of the Asset Management Plan**

- Establish clear strategic approaches to the utilisation of space and flexible working, and co-location with partners and stakeholders
- Consider options for under-used assets
- Consider options for financing of new assets
- Maintain and adapt existing assets as needed

**Step 4: Review and monitor process**

- Periodically review corporate management arrangements for capital asset planning to ensure they are fit for purpose
- Conduct post implementation review of all capital projects that are undertaken
- Review processes following the Comprehensive (Performance/Area) Assessment
- Engage with other organisations and share learning to drive a process of continuous improvement

<sup>6</sup> Including: the Local Area Agreement; the Sustainable Community Strategy; and the Local Development Framework.

## Chapter 2

# Influencing and Shaping Local Authority Asset Management

- 2.1 This chapter sets out some of the high level policies that influence and shape local authority asset management. Whilst the policies mentioned below are not comprehensive, they do give an idea of the scale and depth of issues that impact on local authority asset management.
- 2.2 Local authorities are under pressure from partners and citizens to improve their asset management. This pressure comes from: the changing relationship between central and local government; residents rising expectations for high quality services; changing demographics; technological advances; and the need for efficiency gains.

### Devolution and creating a sense of place

- 2.3 The 2003 Local Government Act, the 2006 Local Government White Paper<sup>7</sup> and the 2007 Local Government and Public Involvement in Health Act promote devolution to the lowest possible level.
- 2.4 Asset management has a strong role to play in supporting the delivery of the visions set out for the local area in the Sustainable Community Strategy, the Local Area Agreement, and the Local Development Framework. This new devolutionary framework is underpinned by a new Performance Framework which is covered in greater detail in Chapter 4.
- 2.5 The joint Communities and Local Government and Local Government Association *Action Plan for Community Empowerment: Building on Success*<sup>8</sup> sets out the Government's programme for promoting community empowerment. One particular driver for change is the new Duty to Involve, which will become a statutory requirement on all Best Value authorities from 1 April 2009. This will require local authorities and others to inform, consult and involve local people in their functions and activities.

<sup>7</sup> [www.communities.gov.uk/publications/localgovernment/strongprosperous](http://www.communities.gov.uk/publications/localgovernment/strongprosperous)

<sup>8</sup> [www.communities.gov.uk/publications/communities/communityempowermentactionplan](http://www.communities.gov.uk/publications/communities/communityempowermentactionplan)

## Local government finance

- 2.6 The 2007 Comprehensive Spending Review and the related Local Government Finance Settlement are underpinned by a focus on value for money. Improved outcomes will therefore need to be delivered in a tight financial climate. A target of 3 per cent annual efficiency gains has been set across the public sector (Fire and Rescue authorities have their own target of achieving £110m cashable efficiencies across the CSR07 period), which amounts to a requirement for local government to make £4.9 billion of cash-releasing efficiencies by 2010-11. A route-map for achieving this requirement is set out in the CSR07 Value for Money Efficiency Delivery Plan<sup>9</sup>.
- 2.7 CSR07 reinforced the messages set out in the Lyons Review<sup>10</sup> concerning greater exploitation of under-used assets and the disposal of assets no longer required for service delivery. The review showed that savings can be made in both running costs and in the generation of capital receipts. The Government recognises the competing challenges facing local authorities and would encourage them to explore all options for under-used assets.

## Sub National Review of economic development

- 2.8 The Government's Sub National Review (SNR)<sup>11</sup> of economic development and regeneration aims to help maximise prosperity in all parts of England by stimulating sustainable economic growth and improving housing supply. The SNR sets out a number of structural reforms that will strengthen the role of local authorities role in economic development. It also supports effective collaboration by local authorities across functioning economic areas.
- 2.9 The SNR proposes streamlining the regional tier, introducing single regional strategies (outside London), which will set the economic, social, spatial and environmental objectives for each region. They may, in consultation with partners, utilise their local asset base to inform and achieve local and sub regional outcomes as set out in the integrated regional strategy.

<sup>9</sup> [www.communities.gov.uk/publications/localgovernment/deliveringvalueformoney](http://www.communities.gov.uk/publications/localgovernment/deliveringvalueformoney)

<sup>10</sup> Towards Better Management of Public Sector Assets: Sir Michael Lyons, December 2004, [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

<sup>11</sup> Taking forward the Review of Sub-National Economic Development and regeneration, December 2007, [www.hm-treasury.gov.uk/spending\\_review/spend\\_csr07/reviews/subnational\\_econ\\_review.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_csr07/reviews/subnational_econ_review.cfm)

## Multi Area Agreements

- 2.10 Multi Area Agreements (MAAs) are voluntary agreements between two or more councils and their partners to work together to deliver agreed outcomes. MAAs will have, in the first instance, a particular focus on economic development. They will also look at infrastructure issues such as housing and transport.

## Cross government policies

### Central government departmental asset management strategies

- 2.11 As part of the 2007 Comprehensive Spending Review, HM Treasury required each Government Department to develop a strategic asset management strategy, to show how each department will manage their own assets, along with those assets that have a direct influence on departmental priorities. These will contain information on specific local assets and will be published shortly.

### Increasing housing supply

- 2.12 The Government's 2007 Housing Green Paper<sup>12</sup> highlights local government's role in improving the pace of housing delivery. It sets out how local authorities might use their assets to form partnerships with the private sector to deliver more housing and increase regeneration. These new, innovative ways of raising the supply of houses involve local authority land assets, public funding streams and private finance as well as private sector expertise. Guidance for local authorities on joint venture vehicles will be published in due course.

### Planning

- 2.13 Communities and Local Government and the Royal Town Planning Institute commissioned research into spatial planning by local authorities which included asset management. More information about this can be found in Annex A.
- 2.14 In addition, the Planning Bill introduced in Parliament on 27 November 2007, will enable local planning authorities to charge a Community Infrastructure Levy (CIL) on new developments in their area to support infrastructure delivery that unlocks planned housing growth. Subject to Parliamentary approval, the legislative framework for CIL should be in place from April 2009. Good infrastructure planning, through consideration of the infrastructure required to support development and giving it priority in discussions with local partners, will be useful preparation for the introduction of CIL.

<sup>12</sup> [www.communities.gov.uk/publications/housing/homesforfuture](http://www.communities.gov.uk/publications/housing/homesforfuture)

### Creating healthy sustainable communities

- 2.15 The Government recognises that working within the community and with local partners is the best place to start in creating healthy, sustainable communities. Accessibility of medical facilities and successful prevention of illness will mean significantly fewer early deaths, less long-term ill-health and a reduction in health inequalities. Some of the most creative thinking in the NHS is focused around joint working to ensure that health provision reflects local needs.

### 2005 Disability Discrimination Act

- 2.16 The Disability Discrimination Act 2005 (DDA 2005) introduced a new duty for public bodies, including local authorities, not to discriminate against disabled people in the delivery of their public functions. The DDA 2005 also introduced a new disability equality duty that requires public authorities to have due regard, in carrying out their functions, to the need to:

- promote equality of opportunity between disabled people and other non-disabled people;
- eliminate discrimination that is unlawful under the DDA 2005;
- eliminate harassment of disabled people that is related to their disability;
- promote positive attitudes towards disabled people;
- encourage participation by disabled people in public life; and
- take steps to meet disabled peoples needs, even if this requires more favourable treatment.

### The Children's Plan

- 2.17 The Children's Plan outlines the Government's plans to make this country the best place in the world for children and young people to learn and grow up. It sets the direction of DCSF for the next ten years. The Plan sets out proposals to:

- strengthen support for all families during the early years of their children's lives;
- achieve world class schools and an excellent education for every child;
- involve parents fully in their children's learning;
- ensure young people have interesting and stimulating things to do outside school; and
- provide more places for children to play safely.



### **Building Schools for the Future and the Primary Capital Programme**

- 2.18 Building Schools for the Future is the current school buildings investment programme. The aim is to rebuild or renew nearly every secondary school in England over a 10 to 15 year period, from 2005-06.
- 2.19 The Government is committed to renewing at least half of all primary school buildings by 2022-23 through the Primary Capital Programme. The aim is to create primary schools that are equipped for 21st century teaching and learning, and are at the heart of their communities with children's services in reach of every family.

### **Aiming High for Young People**

- 2.20 As set out in *Aiming High for Young People: A ten year strategy for positive activities*, there is clear demand for more and better places for young people to go in their leisure time. £220million of new government investment and the re-investment of unclaimed assets will deliver new and improved facilities driven by the views, aspirations and needs of young people. To make the most of this opportunity, and fulfil the new duty on positive activities, it is essential that local authorities work with young people, the third sector and the private sector to develop a more integrated and strategic approach to planning local youth facilities.

### **Neighbourhood policing**

- 2.21 A fundamental part of the role of a neighbourhood policing team is to engage with local communities to get them to agree and then tackle local priorities. It is essential for a Neighbourhood Policing Team to provide a visible and accessible presence in the community, and some teams are choosing to base themselves alongside other services by using existing public buildings such as post offices, libraries, schools and even shopping centres.

### **Highways**

- 2.22 It is essential to align highway asset management planning with the Local Transport Plans. DfT and HM Treasury commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to review the accounting, management and finance mechanisms for local authority transport infrastructure. The final report, that was issued for consultation in July 2007, indicated that comprehensive transport asset management has the potential to deliver significant efficiency gains and improvements in the services delivered to users.

### **Fire and Rescue Services**

- 2.23 Fire and Rescue Authorities (FRAs) are required to produce annual Integrated Risk Management Plans (IRMPs). IRMPs look at the risks within the area the FRA serves and what they will do to mitigate those risks. As a result FRAs will need to consider issues such as: whether Fire Stations are sited in the best place; how to engage with the community; how best to mitigate risks that lead to deaths and injuries from fire; and how to meet local response time targets.

### Climate change

- 2.24 Local government has a crucial role to play in tackling climate change and helping society move towards more sustainable modes of development. It can shape its services and influence those of local partners to create solutions which are joined up, integrating the economic, environmental, and social priorities of local areas to create sustainable communities. The practical experience gained and leadership shown by local authorities will also encourage others to adopt more sustainable practices. More information on sustainability can be found in Chapter 4.

### Joint waste authorities

- 2.25 The Local Government and Public Involvement in Health Act (2007) responded to the need for greater joint working, highlighted by authorities themselves, by including new powers to allow the creation of joint waste authorities where two or more local authorities wish to discharge some, or all, of their waste functions to a joint waste authority. A range of partnership options are available to local authorities. Guidance is being drawn up to support joint waste authorities and will be consulted on in Spring 2008.

### Community sports facilities

- 2.26 Local authorities have a critical role to play in helping to deliver world class community sports developments through investment in facilities to enable the community to participate. Sport England have developed a wide range of strategic planning tools including Active Places and Active People, to enable local authorities to increase their capability to plan their sports facilities. Sport England's design guidance is available free to local authorities, enabling them to produce sports facilities that are safe, secure, fully accessible and environmentally sustainable.

# Chapter 3

## Local Authority Asset Management: Opportunities

- 3.1 The changing relationship between central and local government gives greater freedom to local authorities to use their resources to get the best results for their residents. The following chapter sets out some of the opportunities available to local authorities when they are developing strategies for asset management.

### Partnership working, co-location and shared services

- 3.2 Local Strategic Partnerships, the new Performance Framework and Local Area Agreements are all based on partnership working to deliver the best outcomes for an area. It is essential that all public sector bodies extend partnership working to the management of their assets. Partnership working tends to be when an authority works across boundaries with other public (or private) organisations to either deliver joint services or to make efficiency gains.
- 3.3 In 2002, Communities and Local Government established a Joint Service Centre (JSC) PFI programme to fund a number of exemplar projects that demonstrated how public sector bodies could work together to deliver joined up services at a local level. Over the past five years around 40 centres have been established in nearly 20 local authority areas.
- 3.4 In addition to the JSC programmes, there are a lot of examples of Primary Care Trusts (PCTs) and Local Authorities working together. Basing health and social care where it is most needed, in the local community, will improve the health outcomes for citizens, for example, locating children's health services on extended school sites.
- 3.5 The Local Improvement Finance Trust (LIFT) programme is a good example of joint working between different sectors to deliver premises for the provision of health and social services. The local joint venture companies build and maintain LIFT buildings which are leased on a long term basis to the PCTs, and used by GPs, local authorities, dentists, pharmacists and other organisations.

## Community ownership of assets

- 3.6 In September 2006 Communities and Local Government commissioned Barry Quirk, Chief Executive of Lewisham Borough Council, to review the barriers and powers relating to transferring public assets to community management and ownership. His report<sup>13</sup> was published in May 2007, and its recommendations accepted by the Government.
- 3.7 The report argued that the transfer of public assets to community management and ownership at less than best consideration is a legitimate and potentially beneficial option, that should be considered by local authorities and other public sector bodies as part of a strategic approach to asset management. Further the report argued that, where the benefits can be shown to outweigh the costs, there are no substantive impediments to such asset transfer. There are risks, but experience shows how they can be successfully managed.
- 3.8 The Government's implementation plan<sup>14</sup> sets out a number of ways in which local authorities and their statutory and third sector partners are being supported to act on the findings of the Quirk Review. Communities and Local Government are currently supporting a demonstration programme in 20 local authority areas, which is due to be extended to 60 further areas over the next two years, to show how this can work in practice.

## Efficiency gains

- 3.9 The National Improvement and Efficiency Strategy (NIES)<sup>2</sup> stresses the need for a new approach to delivery, with councils increasingly working in partnership to deliver better and more efficient services. Better use of assets is important for achieving all four strategic priorities of the NIES by:
- promoting efficiency gains;
  - responding in an innovative way to customer needs;
  - tailoring assets more to what communities; and
  - underpinning local authorities decisions to improve local economic growth.

<sup>13</sup> *Making Assets Work*, the Quirk Review of community management and ownership of assets. [www.communities.gov.uk/publications/communities/makingassetswork](http://www.communities.gov.uk/publications/communities/makingassetswork)

<sup>14</sup> *Opening the Transfer Window*, the government's response to the Quirk Review. [www.communities.gov.uk/publications/communities/openingtransfer](http://www.communities.gov.uk/publications/communities/openingtransfer)

- 3.10 Asset management is a key workstream of the CSR07 Value for Money Delivery Plan. Good asset management can lead to cash savings of at least £300m over the CSR07 period. This will come from reductions in operating costs, savings that come alongside asset disposals, and asset sharing. We will disseminate key findings in due course from the National Process Improvements Project Pathfinders<sup>15</sup> and Service Transformation Research<sup>16</sup>, the two-tier pathfinders and the Local Area Agreement demonstration areas.

## Financing of new assets

- 3.11 Since 1997, the Government has been increasing the rate of investment in public infrastructure, in recognition of past under-investment. Over the CSR07 period, Government will provide a minimum of £29bn of capital support to local authorities and at least £13.8bn (46.2%) of this will be unringfenced. In the four year period from 2002/03 to 2006/07 total local government expenditure on fixed assets equalled £63,680m<sup>1</sup>.
- 3.12 It is important that local authorities consider the creation and maintenance of new assets alongside any plans for existing assets. Funding for new assets can come from a number of sources including: grants from central government; borrowing (either supported by central government or self financed); the Private Finance Initiative; money generated by the local authority (including funding from capital receipts); or Public Private Partnerships.
- 3.13 Measures have been taken to remove statutory constraints on authorities making optimal decisions on their capital programmes (eg the abolition of controls on the use of non-housing capital receipts and the introduction of the prudential system).
- 3.14 The Prudential Code, to which authorities must have regard to in determining the affordability of their proposed borrowing, requires authorities to consider asset management planning in setting prudential limits. A stated objective of the prudential framework is that it should support local asset management planning. The system encourages local authorities to self-finance projects ie those where the scheme is expected to generate enough new revenues or savings to cover the borrowing costs.

<sup>15</sup> [www.rcoe.gov.uk/rce/core/page.do?pagelid=20201](http://www.rcoe.gov.uk/rce/core/page.do?pagelid=20201)

<sup>16</sup> [www.idea.gov.uk/idk/core/page.do?pagelid=1](http://www.idea.gov.uk/idk/core/page.do?pagelid=1)

## Sharing knowledge

- 3.15 Consultation responses from local authorities showed that there is a lot of good practice occurring around the country and Annex B highlights a number of case studies which were submitted by local authorities. Here are some other tools for sharing best practice.

### Beacons

- 3.16 In March 2005, five local authorities (Cambridgeshire, Hertfordshire, Ashford, Rotherham and Leeds) were awarded the Beacon status for their asset management. The Beacons have worked with IDeA to raise the profile of asset management through the Peer Review offering tailored support such as mentoring and one to one visits to help local authorities drive improvement in managing their assets.

### Asset management networks

- 3.17 There are numerous formal and informal local networks for local authorities to engage with. In addition, there are a number of national networks such as: Association of Chief Corporate Property Offices in local government; Federation of Property Societies; Association of Chief Estate Surveyors; Royal Institution of Chartered Surveyors or the Society of Chief Architects of Local Authorities; Schools Building Network and the Education Building Officers and Development Group.
- 3.18 Another useful resource for local authorities wanting to share best practice is the Asset Management Network<sup>17</sup>. The network was set up in 2000 by CIPFA and local government property societies, to disseminate best practice information and support local authorities in developing asset management practices. The network meets in regional locations three times each year with approximately 500 practitioners attending each round of events. There are approximately 300 authorities within the network.

<sup>17</sup> [www.ipfproperty.net/ampnetwork](http://www.ipfproperty.net/ampnetwork)

# Chapter 4

## Local Authority Asset Management: Responsibilities

4.1 This chapter looks at the responsibilities that come alongside the opportunities set out in Chapter 3.

### Local authority systems and processes

4.2 Research<sup>3</sup> commissioned by the Government, which evaluated asset management in local authorities, identified three key areas to explain why some authorities are making significantly more progress in developing a strategic approach to asset management than others. These are:

- **Corporate culture** An organisation with a culture that supports effective corporate working and a willingness to embrace and implement change will be able to better use its assets to the greater good of the area. Authorities with weaker corporate centres that allow individual service areas to be stronger will lead to silo working.
- **Engagement and buy-in at a senior level** The commitment, enthusiasm and skills of officers in finance, property and individual service areas are important. However, unless there is buy-in to the implementation of a more corporate and strategic approach to capital and asset planning amongst both senior officers and elected members progress is likely to be limited.
- **Leadership** Effective leadership at all levels in the organisation is essential to implement the required changes. In particular, strong leadership from members of the senior management team is vital if the required momentum of change in relation to capital and asset planning is to be achieved/maintained.

4.3 Therefore, it is essential that local authorities have adequate systems in place to develop, implement and review strategic asset management strategies.

## Engaging with citizens and councillors

- 4.4 The 2006 Local Government White Paper stated that local councillors are the bedrock of local democracy and that they have a key role in ensuring local services are responsive to the needs of their constituents and enabling local people's voices to be heard.
- 4.5 Local authorities should engage early with local communities when developing plans for asset management. A particular driver for this is the new Duty to Involve, which will become a statutory requirement on all Best Value authorities from 1 April 2009. This will require local authorities and others to inform, consult and involve local people in their functions and activities. Asset management can be a trigger to generate local debate.

## Under-used assets

- 4.6 In July 2004, the then Chancellor announced a target of at least £30bn of public sector assets to be disposed of within the period 2004-05 to 2010-11. Local authorities across the UK are expected to make a significant contribution to the delivery of this target and current assumptions are that UK local authorities will contribute at least £4bn per annum over the CSR07 period. Capital receipts from local authorities have gone down in the period 2004-05 to 2006-07 from £4.7bn to £3.7bn but the forecast for 2007-08 is £4.3bn<sup>18</sup>.
- 4.7 It is important that authorities consider all options for under-used assets including transfer to the community at less than best value, using assets to lever in private finance and ensuring that assets are disposed of at the correct time. Assets sold before development has increased land values may lead to the local authority (and citizens) getting a poor return.

## Performance framework

- 4.8 As part of the 2006 Local Government White Paper an estimated 1,200 performance indicators have been reduced to 198 indicators<sup>19</sup>. Whilst there is no one indicator which underpins asset management, it can be reflected in several national indicators. For example, Performance Indicator number 154 records the number of net additional homes that have been provided. Some local authorities also use additional asset management indicators to help with their internal planning processes, such as those set out as a part of the National Property Performance Management Initiative<sup>20</sup>.

<sup>18</sup> [www.local.communities.gov.uk/finance/stats/keystats/key2007.pdf](http://www.local.communities.gov.uk/finance/stats/keystats/key2007.pdf)

<sup>19</sup> [www.communities.gov.uk/publications/localgovernment/indicatorsdefinitions](http://www.communities.gov.uk/publications/localgovernment/indicatorsdefinitions)

<sup>20</sup> [www.ipfproperty.net/ampnetwork/library/default\\_view.asp?content\\_ref=237](http://www.ipfproperty.net/ampnetwork/library/default_view.asp?content_ref=237)



## Comprehensive assessments

- 4.9 The current Use of Resources judgment in the Comprehensive Performance Assessment looks at how local authorities manage their assets. The 2006 Local Government White Paper set out a new performance assessment framework for local authorities called the Comprehensive Area Assessment (CAA). The CAA also includes a Use of Resource judgment which will focus on value for money and improving efficiencies. This is out to consultation until 15 February 2008.
- 4.10 The proposal is that, as part of the Use of Resource judgment, local authorities will be judged on how well they work with other local public agencies to identify opportunities for using assets to deliver greater benefits for the community. The proposed approach would also assess whether organisations are strategic in minimising their impact on the environment, and how well they are tackling climate change.

## Sustainability and assets

- 4.11 Sustainable procurement, maintenance and management of assets should be a key consideration for local authorities when they are developing their asset management strategies.
- 4.12 Local authorities are key contributors to the UK Government's Sustainable Development Strategy<sup>21</sup> through their role in:
- creating sustainable communities that embody the principles of sustainable development at the local level;
  - promoting high quality design and construction to reduce waste and improve resource efficiency;
  - promoting more sustainable buildings; and
  - putting sustainable development at the heart of the planning system.
- 4.13 Targets for sustainable operations on the Government estate<sup>22</sup> were set by the Prime Minister in 2006, alongside the Sustainable Procurement Action Plan<sup>23</sup>. These targets include: the reduction of carbon emissions from offices and road vehicles; an increase in energy efficiency, including increased use of renewable energy; a reduction in waste production and increased recycling rates; a reduction in water consumption in the office and non-office estate; and meeting biodiversity targets.

<sup>21</sup> [www.sustainable-development.gov.uk/](http://www.sustainable-development.gov.uk/)

<sup>22</sup> [www.sustainable-development.gov.uk/government/estates/targets.htm](http://www.sustainable-development.gov.uk/government/estates/targets.htm)

<sup>23</sup> [www.sustainable-development.gov.uk/publications/procurement-action-plan/index.htm](http://www.sustainable-development.gov.uk/publications/procurement-action-plan/index.htm)

## Sustainable procurement

4.14 The *Local Government Sustainable Procurement Strategy*<sup>24</sup> is local government's response to the recommendations of the Sustainable Procurement Task Force delivered in June 2006 and the Government's response published in March 2007. The Strategy sets out clear intentions for local authorities to harness the sustainability potential of their procurement spend to supplement the social, economic and environmental well-being objectives of their sustainable community strategies. These intentions include (but are not limited to):

- Mainstreaming sustainable procurement and asset management into activities; and
- Awarding contracts on the basis of whole life costs and benefits wherever possible.

## Conclusion

In conclusion, whilst this document sets out a number of policies that impact on local authority asset management it is by no means comprehensive, and it is up to every authority to look at all options for aligning their assets with local priorities. This can only be achieved if senior management and members prioritise asset management and engage with their citizens and partners.

<sup>24</sup> [www.lga.gov.uk/lga/publications/publication-display.do?id=22157](http://www.lga.gov.uk/lga/publications/publication-display.do?id=22157)

# Annex A

## Further reading

Public Sector Asset Management Guide (Jan 2008)

[www.publicsectorassetmanagement.com](http://www.publicsectorassetmanagement.com)

Evaluation of Corporate Capital and asset Planning in Local Authorities (Nov 2007)

[www.communities.gov.uk/publications/localgovernment/capitalassetplanning1](http://www.communities.gov.uk/publications/localgovernment/capitalassetplanning1)

Making Assets Work: the Quirk review of community management and ownership of public assets (May 2007)

[www.communities.gov.uk/publications/communities/makingassetswork](http://www.communities.gov.uk/publications/communities/makingassetswork)

Opening the Transfer window (May 2007)

[www.communities.gov.uk/publications/communities/openingtransfer](http://www.communities.gov.uk/publications/communities/openingtransfer)

ODPM/RICS local authority asset management guidance (Feb 2005)

[www.local.communities.gov.uk/finance/capital/assman.htm](http://www.local.communities.gov.uk/finance/capital/assman.htm)

Hot Property: getting the best from local authority assets (April 2000)

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

Shaping and Delivering Tomorrow's Places: Effective Practice in Spatial Planning – Report, Findings and Recommendations (June 2007)

[www.communities.gov.uk/publications/planningandbuilding/shapingdelivering](http://www.communities.gov.uk/publications/planningandbuilding/shapingdelivering)

Managing local authority heritage assets (June 2003)

[www.helm.org.uk/upload/pdf/Managing%20local%20authority%20heritage%20assets.%20Some%20guiding%20principles%20for%20decision-makers\\_2003.pdf](http://www.helm.org.uk/upload/pdf/Managing%20local%20authority%20heritage%20assets.%20Some%20guiding%20principles%20for%20decision-makers_2003.pdf)

Service Transformation: A better service for citizens and business, a better deal for the taxpayers (December 2006)

[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

# Annex B

## Case studies

As part of the consultation, local authorities supplied details of case studies to share with other authorities. A selection of responses are set out below.

### Levering in private finance

#### **Regeneration agreements with the private sector**

1. Salford City Council used existing assets to lever in private investment and expertise to generate renovation and regeneration. The Council identified a suitable long term development partner in the private sector and secured agreement to clear and deliverable targets which focused on problem areas such as abandoned housing and high rates of crime and antisocial behaviour.
2. As a result of the private finance and the expertise that came with it, a number of local infrastructure assets (roads, pavements, power supplies) have been reconstructed. There has also been recycling of council owned land and council housing to enable the construction of affordable housing and related community facilities. This is an excellent example of how the Council has used its assets to secure delivery of its locally agreed priorities.

### Engaging with the community

#### **Town centre enhancement**

3. Tendring District Council worked in partnership with Essex County Council, the police and its highways contractor to improve the town centre as part of a road safety scheme. The local community were consulted heavily in the design process which included exhibitions, consultation exercises and 'before and after' visioning. The design was amended to reflect the views of the community and the final design made the project more accessible, and led to parts of the area became the subject of alcohol designation orders.
4. This approach has led to a more attractive environment with safer traffic flow, a safer town centre and increased commercial interest in the area.

## Transferring assets to a community group

### Creation of the Scott Business Park

5. Plymouth City Council transferred the site of a former hospital to the Wolseley Trust, a local community company. A business park and community facilities have been established, creating employment and services for the local population.
6. Opened in July 2003, the Scott Business Park (as it is now called) is leased from the Council on a 25 year lease. Membership to the company is open to all local residents, local business and local community groups who elect the Board of Directors. The transfer of this asset to the community has improved public services and raised civic pride.

### The Octagon

7. Hull City Council have granted concessionary leases to the Goodwin Development Trust on some of its assets, to enable the provision of purpose built facilities serving the needs of the community (GDT is a charitable organisation owned and managed by the local communities). As part of the development the Council conducted a best value analysis and detailed the specific benefits of the asset transfers. A strong project management team was put in place to monitor the development process and to ensure delivery of the intended community benefits.
8. The benefits to the community have been seen in the establishment of a customer service centre and other facilities located in the heart of the communities they serve.

## Working across local authority boundaries

### Improvement of sports and community facilities

9. Worcestershire County Council, as the Local Education Authority, entered into a partnership with Redditch Borough Council and school governors to secure lottery funding to renovate and improve sports facilities on a site owned by Birchensale Middle School and adjoining municipal sites leased to a number of sports clubs.
10. The project combined sites under a Management and User agreement between the Councils and private sports clubs to ensure full use of the facilities for educational and community needs. Improvements included the draining of the school playing fields and relaying of an astro turf pitch. The Borough Council has taken over from the school responsibility for the annual maintenance costs of the playing pitches, and the school now has access to the improved community facilities.

## Rationalising office space and introducing new working practices

### Refurbishment of headquarters, Ashburton Court

11. Hampshire County Council entered into agreement with three strategic partners to refurbish its headquarters with the aim of accommodating more staff and being energy efficient.
12. The costs of refurbishment are due to be half that of a new build. The building will accommodate twice the number of staff, and the carbon footprint will be significantly reduced (energy costs reduced by 50 per cent). In addition, existing leasehold and freehold buildings will be released, creating revenue savings and receipts for the Council. Support services and facilities management will be centralised creating additional revenue savings. The creation of a central helpdesk facility will ensure a 'one-stop' shop approach for the 1,000 users.
13. The partnership model was the base for the development of an approach to office refurbishment and redevelopment which became the template for the South East Centre for Excellence, and out of this partnership model the major civic offices project at Reading Borough Council was developed.

## Partnership working to deliver services

### Kaleidoscope

14. A former London Borough of Lewisham owned school site was transferred to the Primary Care Trust (PCT) to build a new service centre and a GP surgery. The development was jointly funded by the PCT and Council combined with other asset transfers that include a jointly run clinic and a surplus hospital site now developed with affordable housing.
15. As a result of the project, services are located together for children and young people who have a disability or other specialist health, mental health, social care or education needs. They and their carers can easily access a range of services under one roof. As an example, the family of a child diagnosed under the "Newborn Hearing Screening" (aged 8 weeks) have been seen on two occasions in Kaleidoscope by both the Audiologist and the Teacher of the Deaf. This collaborative approach reduces the number of appointments and better supports the family in the early stages following diagnosis. This provides early, joined up support and positive intervention.

### Shared use of property resources

16. Northampton Borough Council has been working with Northamptonshire Police Authority to pilot the Police's use of part of the Council's "One Stop Shop" at its principal Civic Offices. This has enabled members of the public to resolve matters more quickly, where a multi-agency response is part of the solution to the issues that the public have raised.
17. This has meant, for example, that drug taking within the common areas of Council Estates has been reported to the Police where it may have otherwise gone unreported, allowing Police and Housing staff to address associated issues more quickly in a co-ordinated way. The physical distance from the Council's principal Civic Building to the main Police Station is less than half a mile. However it appears that in psychological terms, some sections of the public feel more willing to engage with the Police at the Council's One Stop Shop.

## Regeneration and partnership working

### Fairfield project, Worcester

18. Worcester County Council worked with key partners, including the Primary Care Trust, to regenerate a deprived ward, previously blighted by high rates of drug related crime. The Council's educational facilities had a significant amount of surplus land and extensive consultation with stakeholders and the local community identified necessary improvements in education and recreation facilities and in health provision.
19. The Council developed a vision for the area which it was able to sell to private sector developers. The vision included a new primary school and community centre, 90 new houses (73 per cent social housing), a new community health centre and the construction of a road connecting previously isolated estates.

## Financial provision

### Property Group Enterprise Fund

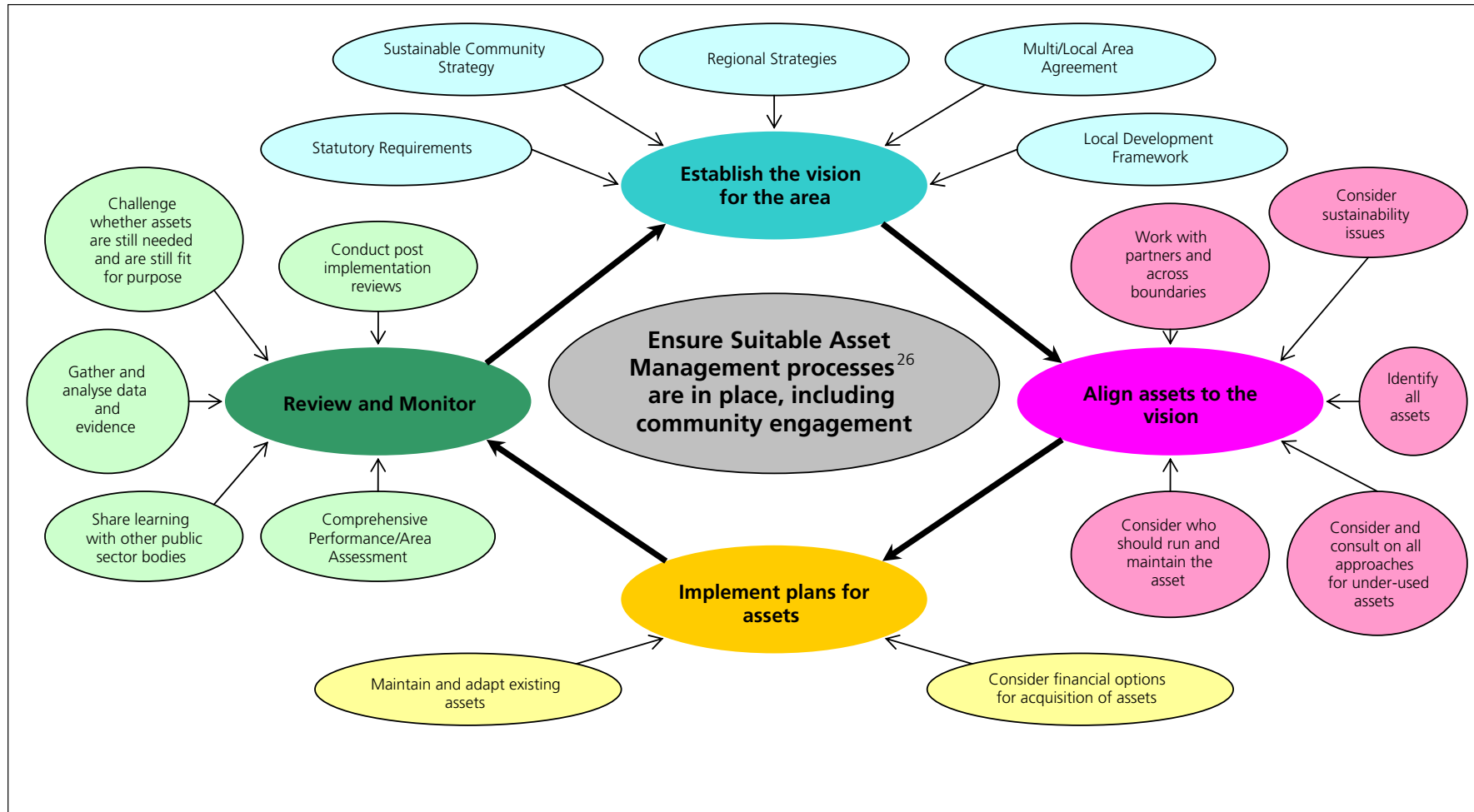
20. Kent County Council has established a Property Group Enterprise Fund, with a maximum permitted deficit of £10million, to aid property acquisition in a timely, efficient and cost effective manner.
21. The strategy is focussed not only on the investment of capital receipts into assets with a high growth potential, but also the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income.

22. The fund, which is financed using the prudential borrowing system, enables the Council to move quickly to take of opportunities as soon as they are presented. Each application to the fund must be supported with evidence and is decided upon by delegated members of the executive and officials.
23. During 2007, the Property Group achieved sales of 83 surplus, non-operational property sites previously held by directorates for banking in the Property Enterprise Fund. The capital value realised from these disposals was £8.4m. These disposals are of course separate from those where the receipt is 'earmarked' for an approved directorate new capital project in the Market Transformation Programme.



# Annex C

## Asset Management Framework<sup>25</sup>



<sup>25</sup> This is not a comprehensive diagram but is based on recommendations from the 2007 York Consulting study into asset management, case studies, contributions from local authorities and other policy initiatives.

<sup>26</sup> Adequate Asset Management processes could include: involvement of 'backbenchers' and the wider community; adequate resources and leadership; giving a cabinet member responsibility for the property portfolio; and establish effective project management processes.