
**ARGYLL AND BUTE COUNCIL
JOINT REPORT BY DIRECTOR OF
DEVELOPMENT SERVICES AND
HEAD OF STRATEGIC FINANCE**

**STRATEGIC MANAGEMENT TEAM
2 MAY 2006**

UPDATE ON ASSET MANAGEMENT

1. INTRODUCTION

- 1.1 This report gives an update on the progress in implementing the Asset Management Strategy and recommendations for bringing the implementation to a successful conclusion.

2. RECOMMENDATION

- 2.1 The Strategic Management Team notes the progress made to date as outlined in paragraphs 3.5 to 3.8.
- 2.2 It agrees to establish a project board and five project teams.
- 2.3 It agrees to require the project teams to report back within a month.
- 2.4 It considers how to develop the linkages between asset management and the planning and business processes of the Council.

3. DETAIL

- 3.1 The Council approved the Asset Management Strategy on 6 April 2005 which defined Asset Management as:

“Asset Management is a structured and systematic approach to managing fixed assets on an ongoing basis. This approach addresses all phases of an asset’s life cycle, from pre-acquisition through to retirement.

Effective Asset Management means knowing what you own, where it’s located, where you bought it, for how much and who has it. A primary objective of asset management is reducing the total cost of ownership whilst maximizing the benefits from investment in assets.”

- 3.2 Asset Management is described in practical terms in Appendix 1. The diagram in the appendix shows in the upper part where the Asset Management Strategy sits within the overall planning framework of the Council.

- 3.3 The lower part of the diagram splits asset management into three parts, firstly, the routine tasks, secondly, the information requirements and finally the outputs/outcomes.
- 3.4 Looking in detail at the lower part of the diagram and moving from left to right the Council is already carrying out the routine asset management tasks such as maintaining its assets etc.
- 3.5 In respect of the information required for asset management the departments already have a great deal of this but it may not be complete or in an electronic or user friendly format. In terms of the gaps in the information plans are in place to gather this, for example condition and suitability information for properties used by the Council. The information held on the assets owned by the Council is currently being verified.
- 3.6 The right hand side of the diagram shows the use that will be made of the information held on assets.
- 3.7 The Council at present has no system in place to process the information held and being generated on assets to help in the production of the asset management plan or help facilitate the appraisal of options.
- 3.8 The lack of a system has not stopped progress being made on a number of strategic asset management projects, in particular, the office rationalisation projects in Campbeltown, Helensburgh and Oban. These projects have provided a useful insight into how asset management information can be used in the evaluation of options which can be applied in respect of all types of assets.

Community Services have produced an Asset Management Plan for the School's Estate and signed the NPDO contract for nine schools.

3.9 In order to meet the External Auditors expectations on Asset Management the Council will require to be able to demonstrate that it has implemented its Asset Management Strategy and that it is using it to manage its assets. The audit check list has the following headings (these refer to property assets but similar actions will be required for each of the categories of assets):

- Statement of Context
- Planning and Consultation
- Review of existing portfolio – Estates and Buildings property by property and site by site
- Review of Current Functional Need and Investment or Sale Opportunities
- Review of Future Requirements
- Gap Analysis
- Option Analysis
- Evaluate Options against criteria and identify preferred strategy options
- Develop forward plans and programmes – Business Case, Procurement, Acquisition or Disposal Strategies
- Implement Strategy and Manage Projects, Programmes and/or Transactions
- Evaluate and Feedback

3.10 John MacNicol before he left the Council's employment submitted a report to the Audit Committee on the progress being made on Asset Management. A copy of this report was submitted to the Strategic Management Team on 21 March 2006. The progress report followed a report to the Audit Committee in December 2005 which contained actions on the following points:

- Assets used in service delivery
- Condition of the assets
- Are they fit for purpose
- Cost of making them fit for purpose
- Lifecycle costs
- Operating costs
- What use is made of the assets
- Future asset requirements

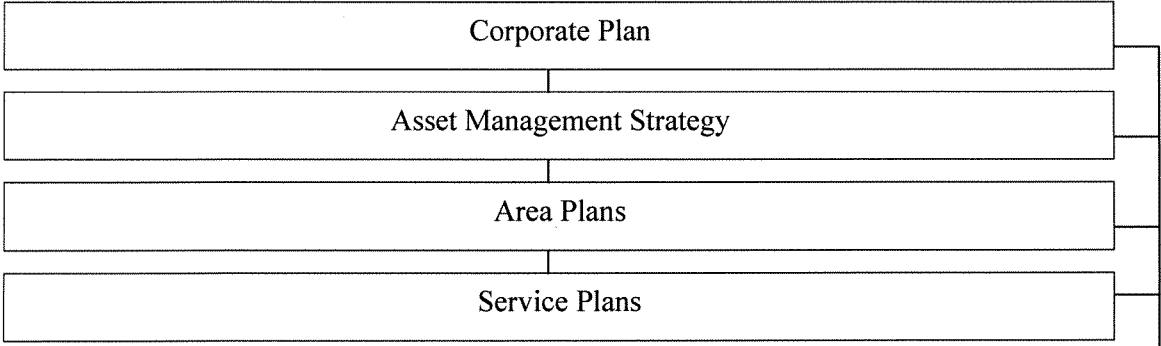
- 3.11 The Council's Draft Best Value Improvement Plan has six actions linked to asset management, as follows:
- B13 Develop the asset management strategy (including condition, maintenance costs and performance indicators for property portfolio)
 - B14 Develop the land and building use register
 - B15 Link asset management to corporate and service planning
 - B16 Develop the school estate asset management strategy
 - E10 Link asset management to corporate planning
 - B5 Link capital plan to asset management to options appraisal
- 3.12 These particular actions need to be integrated/co-ordinated with the implementation of the Council's Asset Management Strategy and its overall implementation plan.
- 3.13 The integration of asset management into the planning/business processes of the Council will require the setting up of a project board to ensure that the overall implementation is treated as a project. The size and complexity of the project may require that more than one project team will be required to deal with individual parts of the implementation, but it is essential that the output of each of the projects is co-ordinated in order that the Council achieves the benefits of asset management.
- 3.14 Moving back to the diagram in Appendix 1 and again looking at the lower part, which details the mechanistic aspects of asset management, it is necessary to document the routine tasks and to ensure that all the information required is available or that procedures are in place to generate it. To this end it is recommended that five project teams be set up to progress the tasks.
- 3.15 The first group will look at documenting the management and gathering of information for the maintenance, operating costs, lifecycle maintenance, condition and investment costs for all categories of assets (property, infrastructure, fleet and IT). This work stream relates to B13 in the Best Value Improvement Plan. The group should be led by Sandy Mactaggart and include representatives from each of the services.
- 3.16 The second group will look at documenting the management and gathering information for rent roll. This group should be led by Susan Mair and include representatives from Legal and Protective Services and ICT and Financial Services.
- 3.17 The third group will look at documenting the management of the acquisition or disposal, ownership details and valuation, life and depreciation information for all categories of assets. This work stream relates to B14 in the Best Value Improvement Plan. The group should be led by Sandy Mactaggart and have representatives from Strategic Finance, Legal and Protective Services and each service.

- 3.18 The fourth group will look at developing option generation and options appraisal for all aspects of service delivery not just asset management. This relates to B5 of the Best Value Improvement Plan. The group should be led by Bruce West with representatives from each of the services.
- 3.19 The final group will look at the system that the Council should implement to draw all the information together to allow asset management to be fully implemented. This group should be led by Dave Duthie and representatives from Strategic Finance, ICT and Financial Services and each service.
- 3.20 Each of the groups should also be tasked with identifying the performance information which will be required and look at the information required to allow budget preparation and monitoring to be undertaken and allow preparation of the annual accounts.
- 3.21 In order that the work of the various groups is co-ordinated an overall project board should be established led by George Harper with representatives from each of the services at director or head of service level.
- 3.22 The groups should meet within the next month and report back to the project board with a position statement of where the Council is in respect of the tasks and a project plan with timescales for how the gap will be bridged from the current position and where the Council wants to be.
- 3.23 In terms of the upper part of the diagram the Strategic Management Team need to consider how it will develop the linkages between asset management and the planning and business processes of the Council.

George Harper
Director of Development Services

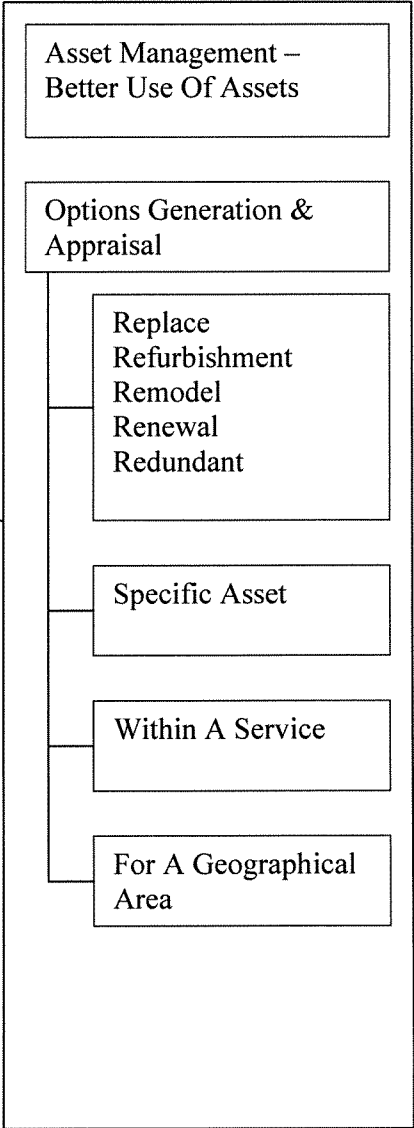
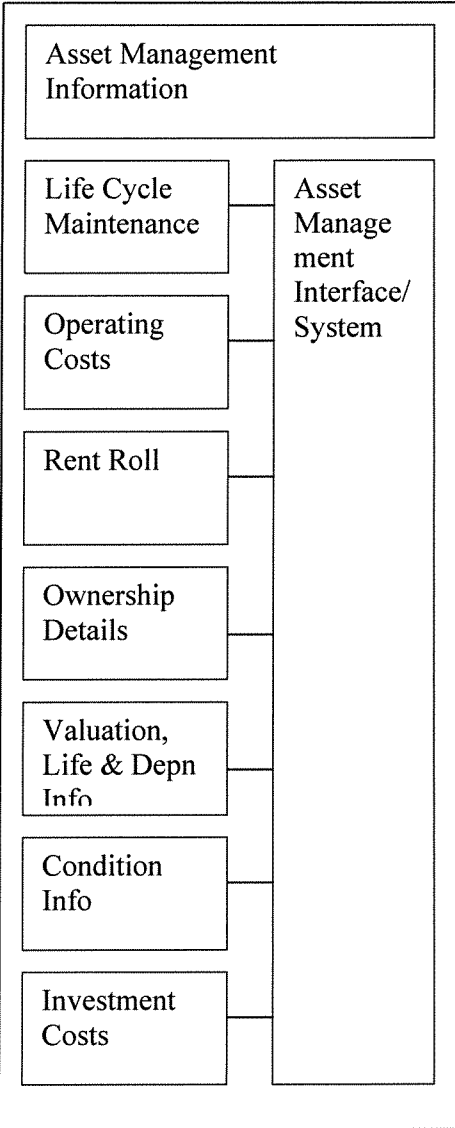
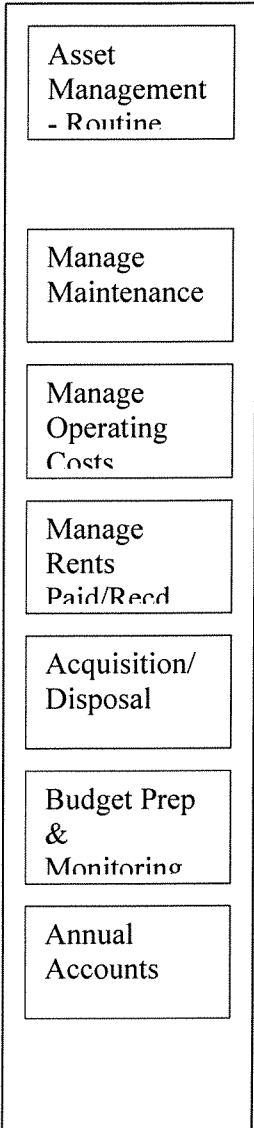
Bruce West
Head of Strategic Finance

27 April 2006



What We Own/Have

What We Need



Asset Management - Notes

What Do We Need To Be Able To Do In Terms Of Routine Management Of Assets

Manage the maintenance of these assets
Manage and reduce the operating costs of these assets
Manage rents payable and receivable
Manage acquisition and disposal of assets
Prepare and monitor budgets
Prepare annual accounts

To Get Best Value From Our Overall Investment In Assets We Need To

Identify what assets we own
Identify what assets we need
Generate and appraise options for matching what we have and what we need on an asset, service and geographical basis
We need to do this review of investment on a regular basis
This is what will drive the capital plan

This Requires Us To Have Information On

Lifecycle maintenance
Operating costs
Rents payable and receivable
Ownership details
Valuation, life and depreciation details
Asset conditions
Investment and upgrade costs

We can hold all of the information in a single comprehensive system or we can hold the information in separate systems and develop a means for consolidating it when we carry out options appraisal exercises.

All Of The Above To Be Informed By

Corporate Plan
Asset Management Strategy
Area Plans
Service Plans