

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 17 October 2019
Report Subject	Asset Management Planning and the use of Asset Registers
Cabinet Member	Cabinet Member for Finance Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Housing and Assets) and Finance Manager (Technical Accounting)
Type of Report	Operational

EXECUTIVE SUMMARY

The report explains the method of asset management planning and the use of asset registers and then goes on to detail the Council's local approach to asset management planning and asset registers.

RECOMMENDATIONS

1	That the Committee notes the report and provides any comments or observations.
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REPORT DETAILS

1.00	EXPLAINING ASSET MANAGEMENT PLANS
1.01	<p><u>Asset Management Planning – Theory and Best Practice</u></p> <p>The term ‘asset’ is used in this report to mean physical assets, such as land, buildings, highways, footpaths, cycleways, bridges, flood defences, plant, equipment and vehicles, and excludes financial assets and intangible assets, such as intellectual property.</p> <p>Guidance available from professional bodies such as RICS (Royal Institution of Chartered Surveyors) and CIPFA (Chartered Institute of Public Finance and Accountancy) does not set out to prescribe rigid processes for capital and asset management planning, but instead point to good practice and set out the key issues that public sector organisations need to consider.</p>
1.02	<p>Asset Strategy involves the long-term strategy for moving towards an optimal portfolio of assets. It can include strategies for:</p> <ul style="list-style-type: none">• purchasing and constructing new assets• investing in and replacing existing assets• transferring assets to other organisations• disposing of assets that are surplus to requirements <p>The development of an optimal asset portfolio requires the organisation to consider what assets it needs to deliver its corporate objectives efficiently. It should be related to the purpose for which the organisation exists, the services it is responsible for providing and the statutory functions it is responsible for fulfilling.</p> <p>An optimal portfolio is not simply the assets that the organisation would ideally like to have if resources were unlimited, but those assets that best enable corporate objectives to be delivered, taking into account overall value for money. In the dynamic environment in which most public sector organisations now operate, this is constantly changing.</p>
1.03	<p>Asset Management Plans (AMPs) are plans for individual assets or groups of assets. Many public sector organisations have service-specific AMPs. These are sometimes brought together in a Corporate Asset Management Plan that also includes the asset strategy.</p> <p>AMPs should set out:</p> <ul style="list-style-type: none">• information about the assets including: what is known about their condition, and their purpose• the suitability of the assets for meeting their purpose• plans for how the assets will be managed and maintained• long-term plans for each asset or group of assets, eg investment, replacement or disposal, based on the asset strategy• any expectation that an asset or group of assets may be transferred to another organisation

1.04	<p>Asset Management Strategies and Plans are supported by information contained within asset databases and asset registers.</p> <p>The information held includes:</p> <ul style="list-style-type: none"> • basic information, such as when the asset was created, type of asset, location and dimensions • the purpose for which the asset is held • performance information, such as the frequency of faults or failures • what is known about the condition of the asset, eg as a result of condition surveys • financial information, such as maintenance and operating costs. • mapping (GIS) information. • suitability and sufficiency
1.05	<p>The way in which assets are managed on a day-to-day basis can have significant implications for the capital programme. Inadequate levels of routine maintenance and capital investment can increase the cost of reactive maintenance and the capital expenditure that is required in the long run. A good example of this is highways maintenance, where cutting capital budgets will result in increased revenue expenditure, for example filling potholes.</p> <p>Inadequate levels of routine maintenance and capital investment can also reduce the value of capital receipts that can be achieved from the disposal of assets. AMPs should therefore be based on an integrated approach to the day-to-day management of assets and the longer-term plans for those assets based on the asset strategy.</p> <p>An asset may be in good condition, but no longer suited to the purpose for which it exists. For example, a school built in the Edwardian era might be in good condition, but the thickness of the walls might prevent the functioning of a wireless network, making it an unsuitable environment for the provision of modern education.</p>
1.06	<p>Capital planning is about capital investment or expenditure, as distinct from revenue expenditure or running costs. Capital expenditure can be defined as expenditure on assets that will provide a benefit to the organisation beyond the current financial year. This includes expenditure on:</p> <ul style="list-style-type: none"> • purchase of new assets • creation of new assets • enhancing and/or extending the useful life of existing assets <p>There is an overlap between asset planning and capital planning at both the strategic and the operational level.</p>

1.07	<p><u>The Council's approach to Asset Management Planning and Asset Registers</u></p> <p>The Council as the custodian of public assets holds property and land assets valued at £762m (Balance Sheet 31st March 2019), which have been acquired using public money, the Council has an obligation to protect the value of those assets. Failure to invest in existing assets means that they gradually deteriorate. In the long term this puts at risk the Council's ability to fulfil its basic responsibilities.</p>
1.08	<p>The Council has a Corporate Asset Management Plan similar to that described in paragraph 1.03 above. A corporate document that serves as the Council's overarching asset strategy which links the various Asset Management Plans developed by service portfolios described in paragraphs 1.09 to 1.12 below.</p> <p>The document is currently being refreshed and will be reported to Cabinet and Corporate Resources Overview and Scrutiny Committee in November 2019.</p>
1.09	<p><u>Housing Asset Management Plan</u></p> <p>The Asset Management Plan (AMP) defines the activities that will be implemented and the resources that will be required to meet the Council's objectives. It provides a tactical plan for managing the Councils:-</p> <ul style="list-style-type: none"> • Infrastructure • Direction • In-year priorities • Budget & resource requirements • Expectations for the portfolio and Council as a whole • Service Level Agreements & timescales • The Councils Assets (Stock) with regards to Managing, Maintaining and Repairing <p>The Housing & Assets Section utilises the Open Housing Database, Stock Condition Surveys (both Internal & Independent) and departmental information such as revenue and capital annual expenditure (HRA Business Plan) to correctly forecast and plan future workload. It combines multi-disciplinary management techniques including technical and financial data over the lifecycle of the component or asset in the most cost effective way to provide a specific level of service. By doing so, lifecycles and costs can be reviewed and updated accordingly to improve the accuracy of the AMP moving forwards.</p> <p>The AMP provides visibility of the costs and benefits associated with providing the agreed standard of service, whilst reviewing the whole-life cost, including the operation, maintenance and replacement or disposal of each component or asset within the system.</p>

	<p>The current Asset Management Plan along with the HRA Business Plan is reviewed periodically, focusing on any changes that may impact upon it and updating data and service performance expectations or requirements as and when required.</p>
1.10	<p><u>Asset Management for Schools</u></p> <p>In compiling asset management data on schools, the Education and Youth portfolio follow Department for Education (DfE) guidance. All schools with the Council estate are evaluated and graded in the following key areas:</p> <ul style="list-style-type: none"> • Condition – Commissioned Condition surveys are completed on a 5 year cycle to establish the condition of schools • Suitability – Compares schools facilities against Building Bulletin guidance and highlights any shortfall (or surplus) in accommodation • Sufficiency - Focuses on capacity and areas, compared to Building Bulletin design guidance and School Premises Regulations • Statutory compliance - Complies data around Equalities act (formerly DDA), Asbestos, Fire Risk Assessments, Statutory testing (Gas/electrical infrastructure) <p>Asset management information is used (with other information) to inform strategic priorities for the Council’s school investment programme. It assists the Council in maximising external investments through the 21st Century Schools Programme and other National ad-hoc funding streams, together with forming priorities for the Council funded programme capital programme and the annual Repair and Maintenance programme in schools. A member workshop on schools asset management was held in April 2019.</p>
1.11	<p><u>Corporate Property, Agricultural Estate and Industrial Units</u></p> <p>This asset register is a database of all our main land and property holdings. It records our tenancy details and any pertinent information which can be referred to during the management of the assets. It is a repository of information which can be added to and amended and is therefore a ‘live’ and dynamic system which permits the management of the Council’s assets more effectively and delivers efficient asset management planning.</p> <p>Asset Management Planning is the bridge between our capital programme and service delivery. All services utilise assets to a greater or lesser extent and it is important that they have the right asset to support service delivery. By understanding our assets and future requirements for service delivery we can plan more efficiently. We can also plan for and realise capital receipts which support the capital programme. In addition, by having a planned approach to the management of our assets we can realise efficiencies more readily by disposing of or letting surplus assets.</p>

1.12	<p><u>Highways Asset Management Planning (HAMP)</u></p> <p>The Council has a statutory duty to maintain the adopted highway, maintained at public expense in a safe condition for the passage of the user. A strategic approach has been used to develop the Highways Asset Management Plan (HAMP) in identifying and allocating resources for the management, operation, preservation and enhancement of the highway infrastructure to meet the needs of current and future customers.</p> <p>An Annual Status and Options Report is produced that summarises the status of the main asset groups in terms of condition, compliance with meeting repair standards, level of public complaint/contact etc. The report describes the result of the previous year's investment in terms of meeting the target service standards, enabling the Council to determine if the standards in the HAMP are being met or not. This report also sets out future options available, including long term (20 year) predictions of defect levels, condition and other relevant data in sufficient detail to enable future investment plans and any necessary revisions to service standards contained in the HAMP.</p> <p>Accessibility to and from employment, homes, leisure, health and social activity must be maintained. Economic growth needs to be facilitated. Congestion and delays on our highway network should be minimised. The Council aim to deliver safe access to employment, local services and facilities by:</p> <ul style="list-style-type: none"> • Using available funding to support Council priorities for accessing employment, health, leisure and education, and improve road safety on the county's highway network • Prioritising the Council's road infrastructure for repairs and maintenance and implement network improvement programmes
1.13	<p><u>Capital Strategy and Capital Programme</u></p> <p>As explained in paragraph 1.06 there is an overlap between asset planning and capital planning.</p> <p>The Council sets a three year rolling Capital Programme each year and an annual Capital Strategy which is closely aligned to asset management planning.</p>
1.14	<p><u>Statement of Accounts</u></p> <p>The value of the Council's fixed assets is accounted for in the Balance Sheet within the Council's annual Statement of Accounts. The CIPFA Code of Practice for Local Authority Accounting states what valuation method should be used and how frequent valuations should take place. The main asset classes are summarised in the table below:</p>

Asset Category	Measurement Base	Frequency
Council Dwellings	Existing Use Value for Social Housing	Every 5 years as a minimum
Operational Assets	Existing Use Value	Every 5 years as a minimum
Infrastructure Assets	Depreciated Historical Cost	N/A – historical value
Community Assets	Historical Cost	N/A – historical value
Vehicles, Plant, Furniture and Equipment	Depreciated Historical Cost	N/A – historical value
Surplus Assets	Fair Value – highest and best use	Annually
Assets Under Construction	Historical Cost	N/A – historical value
Investment Properties	Fair Value – highest and best use	Annually
Assets Held for Sale	Lower of carrying value and fair value less costs to sell.	Annually

The Council uses the capital accounting module within the Technology Forge database to account for its fixed assets. Valuations, disposals, additions, and impairments are input directly into the system which then automatically produces the required accounting. A reconciliation between the Statement of Accounts and the system is one of the year end working papers produced. Capital accounting is one of the more complex and challenging areas in producing the Council's Statement of Accounts. It is an area which the Council's external auditors, the Wales Audit Office, focus on as part of their annual financial audit.

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	None

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Neal Cockerton, Chief Officer, Housing and Assets Liz Thomas, Finance Manager – Technical Accounting Telephone: 01352 702500 E-mail: neal.cockerton@flintshire.gov.uk liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Assets - Any item of value owned by an entity (e.g. buildings, vehicles). Assets can be classed as Non-current or capital assets where the asset has a useful life of more than one year (e.g. buildings, vehicles), or a current asset which includes cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc.</p> <p>Assets Held For Sale - an asset category prescribed by CIPFA’s Code of Practice on Local Authority Accounting. An asset is classed as held for sale of the following criteria are met:</p> <ul style="list-style-type: none"> • The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets. • The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated. • The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value. <p>The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.</p> <p>Balance Sheet - A snapshot at a point in time showing the value of assets owned and liabilities owing. The Council’s balance sheet is produced on the 31st March each year.</p> <p>Capital Expenditure - Spending on non-current assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing asset.</p> <p>Carrying Value - the most recent valuation of the asset.</p>

Community Assets - includes parks, open spaces, cemeteries, playing fields and play areas.

Fair Value - the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Assuming that:

- Transactions take place in the principal market, or the most advantageous market
- Prices are set by market participants acting in their best economic interest
- Non-financial assets will be used in their highest and best use by both buyer and seller

Financial Audit - the annual external audit of the Council's Statement of Accounts.

Fixed Assets - assets with a useful life of more than 1 year.

Existing Use Value - the valuation associated with the assets current use

Existing Use Value for Social Housing - based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to reflect the asset's use for social housing with a sitting tenant

Historical Cost - the cumulative capital costs of the asset over its life

Depreciated Historical Cost - the cumulative capital costs of the asset over its life adjusted for depreciation to reflect its use over time

Infrastructure Assets - roads, footpaths, cycleways, bridges, etc

Investment Properties - used solely to generate income through rent and/or for capital appreciation.

Operational Assets - buildings used to deliver services for example; administrative buildings, schools, care homes etc.

Schools Building Bulletin Guidance - National Standards and guidance for people involved in the design and construction of school buildings and grounds and are also linked to the School Premises Act.

School Premises Regulations - The Local Authority and school legal obligations, which include standard for premises

Statement of Accounts - The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.