

REPORT TO: POLICY & RESOURCES COMMITTEE - 24 AUGUST 2009

REPORT ON: ASSET MANAGEMENT PLAN - ANNUAL REVIEW

REPORT BY: DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 374-2009

1 PURPOSE OF REPORT

1.1 The Corporate Asset Management Plan Annual was submitted to Committee on 10 December 2007, and the first review was considered by Members at their meeting on 8 December 2008. The Plan is subject to continual review and the purpose of this report is to update the Plan as necessary and to appraise the Committee of progress made since the last Report

2 RECOMMENDATIONS

2.1 That the Committee note that a corporate working group will be established to take forward the recommendations from the recent Audit Scotland National Study.

3 FINANCIAL IMPLICATIONS

3.1 The Asset Management Plan will be used to assist the City Council with the preparation of the Capital Plan 2009 - 2012.

4 BACKGROUND

4.1 The Asset Management Plan provides a strategic framework and methodology for managing the Council's assets. The Plan sets out a list of measurable indicators upon which the performance of these assets could be judged from the corporate, operational, strategic and financial viewpoints.

4.2 The Plan identifies 3 distinct types of Council properties, namely:

- Operational Properties - occupied by the Council for the operation and delivery of Council services.
- Surplus Properties - which have become redundant, or uneconomic to maintain, and which have been remitted to the City Development Department for alternative use or disposal.
- Investment Properties - which are owned by the Council for lease, mainly for commercial activities. This portfolio includes industrial, retail and office premises, and ground leases.

4.3 However, 5 types of Council operational assets are being covered by single service Asset Management Plans running in parallel, as follows:

4.3.1 Schools: the Scottish Government requires that a separate School Estate Management Plan should be prepared. Following approval by the Education Committee on 15 December 2003 (Ref: Article VII, Report 810-2003) this was submitted to the Scottish Executive Education Department. Periodic updates have subsequently been required and the latest of these was submitted to the

- Scottish Government in January 2008. The condition core facts have also been periodically requested with the latest submitted in June 2008 and July 2009. The criteria for assessing the suitability core fact have recently been revised by the Scottish Government and the new suitability core facts incorporating this criteria are due to be collected in 2010. However, the Committee should note that its Education properties are included in the Corporate Asset Management Plan for Operational Property and covered by all the assessments, measurements and Health and Safety criteria appropriate to that Plan.
- 4.3.2 Roads, Bridges and Street Lighting: as was reported in the previous Asset Management Plan Review, the asset management of the Council's assets, in terms of roads, bridges and street lighting, is currently being developed through SCOTS (the Society of Chief Officers for Transportation for Scotland) on behalf of all Scottish Roads Authorities including Dundee City Council. The aim is to develop a common roads asset management framework across Scotland. A consultant was appointed in early 2008 on a four year commission to assist in the development of the framework. As the framework develops, these assets will become part of the Corporate Asset Management Plan. Until then, current appraisal systems continue. An update report to Committee will be provided at an appropriate time in due course
- 4.3.3 Housing: the Stock Information Database has been populated with the data from the council housing stock condition survey completed in 2007. This data is constantly updated on completion of ongoing stock investment programmes and enables tracking towards delivering the SHQS by 2015 as well as planning life cycle maintenance programmes. The current Root and Branch Review of the SHQS Standard Delivery Plan is progressing on schedule and will be reported to the Council in 2009. The Scottish Government will require all social landlords in Scotland to submit updated Standard Delivery Plans for June 2010. Details of the stock are not included in the mainstream corporate asset plan.
- 4.3.4 Information Technology: the Information Technology Division of the Council is responsible for the design, planning, procurement, implementation, full lifecycle support and disposal of IT assets. These assets are managed as follows:
- IT Server and Desktops (Corporate) – the infrastructure architecture relies heavily on thin-client server based computing in a consolidated data-centre. This ensures that support and implementation costs are significantly lower than traditional PC environments. This also significantly lowers the Council's carbon footprint – thin client desktops use 49% of power of a PC and typical replacement cycles are 7-8 years, against PC replacement cycles of 4-5 years.
 - Schools PC, Printer and IT infrastructure – a 5-year replacement schedule has been operating in all schools (for 5 years). This is a fully-funded refresh programme which ensures that Dundee pupils have access to leading edge hardware and software, which will ensure they are equipped for a technology-based workplace. This programme gives Head Teachers flexibility in what they purchase (within defined platform limits) and all new IT assets have a 5-year removal date on the IT Asset Management Database.
 - Telephone and Data Network Connections – these assets are generally procured on a strategic, planned basis, but may need to be procured on a tactical basis when staff move to new premises. Reliability and low-revenue costs are key considerations and lower cost site radio antennae are used

where possible. This ensures that these assets are upgradeable when required and can be moved to new premises at low cost.

- Software Assets – Software Asset Management is a key requirement for major public sector organisations. The Council has invested in a Software Asset management platform. This platform is currently being populated with all software asset information. The key requirements of this investment are to make sure that the Council only purchases software licences where they are required, can move assets when required and can prove that it does not contravene software licence requirements.
- Information Assets – this area of operation is often not considered as an asset which needs to be strategically managed, but can provide the greatest scope for efficiency, service improvement and cost reduction. The Council has published an Information Strategy which details the progress made in this area and the future action plans. The strategy informs on how citizen and property information is being consolidated on corporate platforms and how this consolidation benefits the citizen by joining-up systems and services. The benefits it brings are less duplication, citizen "tells us once" and cost of business processes are reduced.
- Electronic Document and Records Management (EDRM) – many of the Council's information assets are currently in paper file format. The Council has embarked on a 3 year programme to reduce the current paper flow as much as possible. This will be done by introducing an EDRM System. However, the project scope is far greater than installing technology. Information handling processes across the Council are being documented and refined before these assets will be stored and accessed electronically.
- The value of IT assets as at 31 March 2009 is £3,981,799.

4.3.5 Transport: a Best Value Review of transport and fleet maintenance is currently being undertaken, including vehicle procurement/leasing, fleet management and centralised workshops. The outcome of this review will be reported in due course.

4.4 The outcomes of these 5 single service Asset Management Plans are reflected in and influence the Corporate Asset Management Plan.

4.5 The Scottish Government requires all publicly held economic development assets be reflected in the local authority's asset management plan. Scottish Enterprise owns assets within the City held for economic development purposes. Discussions have been held with Scottish Enterprise about its intentions regarding these assets. Scottish Enterprise has intimated that, as was reported in the previous Asset Management Plan Review, it intends to dispose of the Prospect Business Centre and two sites within the Technology Park, land at Riverside Drive and a site at West Pitkerro Industrial Estate. It currently intends to retain sites at Balgarthno, the Medi Park and the Digital Media Park for future consideration of strategic opportunities

4.6 Asset Values as at 31 March 2009

4.6.1 The current asset value of operational and surplus properties held by the Council - £359,384,000 (previous asset value as at 31 March 2008 - £366,028,406).

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4.7 Investment Properties

- 4.7.1 The Council's investment portfolio of properties has continued to perform well as a financial asset for the Council as well as providing suitable business premises for commercial organisations to operate in the City. Revenue income from this portfolio increased from £4,851,430 in 2007/2008 to £4,886,545 in 2008/2009 (+ 0.72%).

4.8 Acquisitions and Disposals

- 4.8.1 Council owned properties which are no longer required for operational purposes, when deemed surplus to requirements, will be programmed for disposal.
- 4.8.2 During the Financial Year 2008/2009 the programme of disposals of General Services land and property by the Council produced capital receipts of £201,328. This level of receipts is due mainly to the postponing of programmed disposals.
- 4.8.3 The City Development Department continues to deal with the sale of council houses on behalf of the Housing Department. Sales achieved in the financial year 2008/2009 totalled £3,503,513.50 under the "Right to Buy" scheme.
- 4.8.4 In terms of Article IV of the meeting of the Housing, Dundee Contract Services and Environment Services Committee of 10 December 2007 wherein the Director of Economic Development was remitted to dispose of housing stock on the open market which had become vacant and were the sole remaining property in a block of 3 or more properties. This has resulted in sales of £447,678 in the financial year 2008/2009.
- 4.8.5 In terms of Article IV of the meeting of the Economic Development Committee of 9 June 2008, 15 residential properties were acquired at Bridgend Street to increase the supply of accessible Council houses through the purchase of suitable houses on the open market.
- 4.8.6 During the same year the Council made strategic property acquisitions totalling £179,084.
- 4.8.7 Properties are currently being acquired to assist in the implementation of the Master Plans for Lochee, Hilltown, Stobswell, Mill O' Mains, Whitfield, North Lindsay Street and the Waterfront.
- 4.8.8 Other property acquisitions may be made if exceptional opportunities arise.

4.9 Current Disposal Programme

- 4.9.1 The Asset Management Plan has identified surplus land and properties for disposal and a programme has been prepared to carry that out. However, the implementation of this programme continues to be reviewed due to the current uncertainties of the property market. The majority of identified land holdings have planning briefs for residential development but current market conditions have seen land values for residential development continue to fall in recent months. As a result, much of the disposal programme will be postponed until market

conditions improve. This will ensure that the Council complies with its statutory obligations to obtain best terms reasonably attainable for the sale of any asset.

4.10 Council Operational Properties

4.10.1 During 2008/2009 the focus of work continued to be on seeking to maximise the performance of the Council's operational properties and to continue the programme of improving/replacing office accommodation which has reached the end of its useful life.

4.10.2 There are a number of Council initiatives which cross reference with Asset Management. These initiatives include School Modernisation, Best Value Energy Management, Carbon Management and The Improvement and Efficiency Board programmes.

4.10.3 All Council Operational Properties are assessed, routinely monitored and documented under the following criteria:

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| • Suitability and Sufficiency: | • whether the property is the right size, layout and location for the function that it has to perform. |
| • Condition: | • the physical condition of the property. |
| • Accessibility: | • to ensure that the property complies with current accessibility standards. |
| • Health and Safety: | • to ensure that the property complies with current requirements. |
| • Sustainability and Energy: | • to measure the property against best practice benchmarks and seek to minimise the cost and environmental impact of energy use. |

4.10.4 A set of criteria for the measurement of the Council's performance, in respect of property, was set out in the 2007 Asset Management Plan. The outcome of the measurement of these criteria for Council owned operational properties for the year to 31 March 2009 was as follows:

- the proportion of the total floor area assessed as being in excellent or satisfactory condition is 73.7% (previous figure as at 31 March 2008 - 72.9%);
- the proportion of the total floor area that is suitable and sufficient for its current use is 83.8% (previous figure as at 31 March 2008 - 84.4%). Minor decrease due mainly to school rationalisation programme;
- the proportion of publicly accessible buildings satisfying accessibility standards is 85.7% (previous figure as at 31 March 2008 - 83.1%);
- the median of time utilisation within all categories of operational properties is 47.3 % based on the utilisation of the asset over 168 hours per week; and
- Council operational properties are covered by ongoing contracts to verify compliance with relevant Health and Safety criteria. These contracts provide

assistance to Departments to ensure that suitable and sufficient health and safety management systems are in place for the management and maintenance of the Council's properties.

4.11 Energy Management

4.11.1 Assessment of the energy performance of the Council's properties is intrinsic to the fundamental aims of the Asset Management Plan. Energy performance is a factor in assessing the suitability and sufficiency and the service provision cost of a particular property. This assessment has continued to contribute to the Council's aim of reducing its carbon dioxide (CO₂) emissions by 10% by 2013 (benchmark year 2007/2008).

4.11.2 Work identified by these assessments that has been completed include:

- the installation of Combine Heat and Power Unit in 6 properties - £120,000;
- replace existing fluorescent tubes and fittings with a new lighting scheme in 8 properties- £65,000; and
- surveys have been carried out to examine the energy usage within the 21 highest energy consuming Education properties. A further 80 measures have been identified for these properties with an estimated cost of £500,000. The resultant annual savings are estimated to be approximately £52,000 and 442 tonnes of CO₂. The Director of Education is considering implementation of these measures.

4.11.3 The Council was selected in 2008, amidst strong competition, to take part in the Public Sector Carbon Management programme. This is an ambitious programme designed in response to the UK government identifying the public sector as key to delivering carbon reduction across the UK in line with its Kyoto commitments. The Council partnered with the Carbon Trust on this programme in order to identify potential carbon and cost savings. The Carbon Management Plan commits the organisation to a target of 10% reduction in CO₂ by 2013 and underpins potential financial savings to the organisation of around £5.25 million.

4.11.4 Data collection and certification is currently ongoing for the provision of an energy performance certificate for each Council property that has a total useful floor area over 1,000m². The certificate shall indicate an average benchmark for the building type; its annual carbon dioxide emissions and energy usage based on a standardised use of the building (calculated in accordance with a methodology that is asset-based and using UK climate data and recommendations for energy efficiency measures).

4.11.5 Diagnostic and operational benchmarks are being evolved to analyse the building's energy performance, to identify improvements and to provide asset management information.

4.12 Progress

4.12.1 Considerable progress continues to be made in respect of improvements and/or replacement of operational properties together with increasing shared occupancy with outside agencies such as NHS Tayside, Tayside Police etc.

4.12.2 Specific initiatives include:

- progress continues towards the construction of Dundee House with a proposed completion date in 2011. A Best Value Working Group is currently assessing flexible and working opportunities of some Council employees as a viable alternative to traditional working practices. The aim is to achieve efficiencies by the reduction of operational space requirements within Dundee House and other Council operational properties whilst leading to a better work/life balance for employees;
- option appraisals were undertaken to improve the office accommodation of approximately 600 staff that are currently occupying office accommodation that has reached the end of its useful life. These appraisals included consideration of the refurbishment of St Saviours High School and the purchase of other privately owned offices throughout the city. However, after analysis of these option appraisals it was concluded that the former Downfield Primary School would be refurbished for occupancy by the Information Technology Department and the original Grove Academy building would be refurbished to accommodate operations by Council departments, including Education and Social Work, that will benefit from co-location;
- progress continues towards the replacement of the Olympia Leisure Centre to be constructed on part of the Allan Street car park site;
- the record storage facility at Claverhouse West Industrial Park is now fully operational and being used by various Council departments and also by outside agencies including NHS Tayside, NHS Fife, Tayside Police and Dundee University;
- the current refurbishment of the McManus Galleries is nearing completion;
- the procurement of a replacement for Strathcarron House is currently under construction at Kings Cross Road;
- there has been significant investment from the Education Capital Programme to the school stock during 2008/2009. A new £15M replacement for Kingspark School has commenced on the site adjacent to St John's High School. There have been other significant improvements to the Education stock such as at St Ninian's Primary School with the commencement of a two year programme to replace the electric heating system with a new LPHW gas fired installation in the amount of £400,000. Also included were £125,000 for school kitchen upgrades, £160,000 for upgrading electrical installations, £547,000 for improvements to the heating systems and £152,000 for window replacements. The replacement of the boiler and heating controls together with the kitchen refurbishment at the Castlepark Centre has had the effect of raising the condition status of the centre from 2 to 3;
- priorities for the forthcoming year relating to improvements to the school stock from the Education Capital Programme for 2009/2010 include: replacement cladding and windows (£928,000); upgrades to electrical installations (£211,000); upgrades to heating installations (£667,000) and replacement of roofing (£270,000). It is anticipated that these improvements will improve the condition status from Condition 2 to Condition 3 for Hillside Primary School, Craigiebarns Primary School and St Ninian's Primary School; and

- further initiatives being pursued include removing all Council operational functions from leased properties as soon as circumstances permit in favour of relocation into existing Council owned properties. During 2008/2009, the Council has removed from such leases at offices premises at 5 Whitehall Crescent, the Nethergate Centre and Northern College. Relocating these Council operations from external landlords has resulted in the reduction of occupational costs of approximately £200,000 pa.

4.13 Focus for the Year Ahead

4.13.1 Priorities for the forthcoming year will include:

- a continuing review of operational properties with particular regard to lower scoring properties in terms of condition, suitability and sufficiency and energy consumption and space standards, with a view to improving overall efficiency;
- a continuing review of the property disposal programme in the context of uncertain market conditions;
- the development of Dundee House;
- the refurbishment of the original Grove Academy building;
- the development of the replacement for the Olympia Leisure Centre;
- a focus of investment activity in respect of the Waterfront Development, the expansion of the Overgate Centre and the 5 Master Plan areas, ie Stobswell, Whitfield, Hilltown, Mill O' Mains and Lochee; and
- the purchase of 18 new build residential units at Bridgend Gardens/Balgowan Drive to contribute towards the New Build Council House Programme.

4.13.2 The information contained in this Asset Management Plan Review will inform the Council's budget setting process. Thereafter, the requisite action plans will be formulated and implemented.

4.14 Audit Scotland National Study

4.14.1 Audit Scotland recently published a national study report of Asset Management in Local Government. The findings of this study will be reported to the next Audit and Risk Management Sub Committee. It is also intended that the recommendations and examples of good practice will be considered by a corporate working group, with a view to improving the effectiveness and robustness of the Council's Asset Management Planning process.

5 POLICY IMPLICATIONS

5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

5.2 By appraising the performance of Council property against a wide range of key indicators which include energy and environmental issues, safety, and accessibility, the Asset Management Plan makes a positive contribution to the

achievement of most of the main policy issues and does not have a negative implication in any policy category.

6 CONSULTATIONS

- 6.1 The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance), Head of Finance, Assistant Chief Executive, Director of Housing, Director of Education and Head of Information Technology have all been consulted and are in agreement with the contents of this report.

7 BACKGROUND PAPERS

- 7.1 There are no background papers of relevance to this report.

Mike Galloway
Director of City Development

Colin Craig
Head of Property

CC/PF

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Dundee City Council
Tayside House
Dundee